The Chinese Checkbook:

How Agency and Regime Type Shape Chinese Foreign Aid Effectiveness in Africa

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ABSTRACT

In recent years, China’s domestic transformation has led to its rise on the global stage, serving a more dominant role in providing alternative norms, institutions, foreign aid, and development assistance. The Chinese government has directed a staggering amount of foreign aid to developing countries, especially in Africa. Some critics have been quick to accuse China of using “no strings attached” foreign aid to advance its own geopolitical goals, whereas others go so far as to label the country’s practices as “neo-colonialist.” Although heavily discussed in news headlines, there is a lack of consensus and empirical evidence on how China’s aid works, its intent, and its implications. To explore whether these critiques are well-founded, this political science thesis explores the variations in aid effectiveness of Chinese foreign aid in democratic versus non-democratic regimes in Africa. Through a mixed methods approach of econometric analysis and comparative case studies, I examine the role of agency and leverage in how these factors affect African countries’ engagement with China. I find that the alignment of donor-recipient strategic interests and the availability of key natural resources are driving mechanisms for Chinese aid effectiveness.
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CHAPTER 01

INTRODUCTION

In recent years, the People’s Republic of China (PRC) has experienced a drastic domestic transformation that led to its rise on the global stage. China has come to serve a prominent role in providing alternatives to long-standing Western norms and institutions. The country has asserted itself into the international system and ramped up its engagement with multilateral institutions like the United Nations, International Monetary Fund, and World Bank. The Chinese government’s vehement efforts to do so also led to the creation of its own institutions such as the Asian Infrastructure Investment Bank (AIIB), China International Development Cooperation Agency (CIDCA), as well as foreign assistance programs through the Belt Road Initiative (BRI). Specific to foreign aid, there has been a staggering increase in the amount of foreign aid given to China’s recipient countries in the past decade. New data by AidData, a research lab based at the College of William & Mary, reveals that China spent $354.3 billion over 2000 to 2014 — a figure approaching the $394.6 billion spent by the world’s top foreign aid spender, the U.S, over that same time frame.¹ This development is astonishing to many and frightening to others due to China’s opacity when it comes to financing and the extent to which China is contesting the West.

Beijing is now one of the world’s largest donors. However, its reputation is rife with stories of exploitative terms, shoddy infrastructure projects, heavy debt-traps, and poor working environments. Despite the official narrative from Beijing proclaiming that China seeks to help developing countries by promoting “common development, solidarity and stability based on

principles of mutual equality and respect,” scholars are quick to disagree by claiming that China is trying to export or promote authoritarianism by propping up undemocratic regimes. Others go as far as accusing China of being a ‘neo-colonial power’ seeking to “reproduce and deepen existing pathologies within African economies” by further entrenching African dependency—a dependency that is ironically most often attributed to Western aid norms and ideologies.² Undoubtedly, China’s ascension to the global state with its identity as an authoritarian state led by communist ideology poses significant implications for the existing liberal hegemonic order. Scholars and leaders alike are wary of the challenges that China’s foreign aid regime may pose.

To explore the extent to which these critiques and concerns are well-founded, this thesis seeks to answer the questions of whether China’s aid is able to promote growth in African countries, as well as whether Chinese foreign aid effectiveness varies across autocratic versus democratic regimes in Africa. Central to these questions are theories and evidence on aid effectiveness and the relationship between regime type and aid. Based on this, I argue that the impact of Chinese aid on recipient-country development is conditional on political regime types. I hypothesize that Chinese aid to African democracies leads to better development outcomes, or is more effective, relative to aid to non-democracies (or a lower-scoring country on the Freedom Index) due to variations in recipient-country agency and leverage.

The lack of official data on how much China is giving, whom it is given to, and what impact Chinese aid has on the recipient countries make it hard to come to a verdict. In order to paint a better picture, the remainder of this chapter will delve into the background necessary to set the stage for this project, including mechanisms within Chinese aid as well as China’s presence in Africa.

BACKGROUND

1. Chinese Foreign Aid

In this section, I define ‘foreign aid,’ conduct a comparison of Chinese foreign aid with Western aid, explore the evolution of China’s aid philosophy or approach, and introduce relevant actors in aid-giving.

1.1 Defining Foreign Aid

Foreign aid comes in many forms. The most common form is official development assistance (ODA), defined as government aid that promotes and specifically targets the economic development and welfare of developing countries. Chinese official aid, however, is unlike most major sources of aid as it is not regulated under the Organisation for Economic Co-operation and Development (OECD)'s protocols for ODA. There is a blurry line between China’s development financing and ODA. Chinese aid, generally speaking, is further defined into three types: grants, interest-free loans, and concessional loans. According to a 2021 white paper on China’s international development cooperation published by the State Council of the PRC, “[Grants] are used to help other developing countries build small and medium-sized social welfare projects, human resource development cooperation, technical cooperation, material assistance… [Interest-free loans] are mainly used for public facilities and improving people’s livelihood… [Concessional loans] are provided for projects that can bring economic and social benefits, large- and medium-sized infrastructure projects.” Given this categorization, this project will focus on concessional loans as these most closely resemble ODA and are most directly tied to any resulting development outcomes. For the purpose of this thesis, I will refer to all ODA-like funding as

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defined by the OECD, including concessional loans, as “ODA,” unless specificity on a certain aid instrument is necessary.

1.2 Comparison

The ways in which Chinese aid differs from traditional Western aid provide a framework for understanding Beijing’s approach to development assistance. To start, China’s approach to development contests the Western regime of development. Historically, the West, with the United States at the forefront, has contended that economies grow best through natural competition and minimal government interference while China has adopted an opposing approach. Bred out of these differing philosophies, both states have crafted models that represented a historical jumpstart of sorts. The US became a global hegemon following WWII and has played a big role in molding the World Bank and the IMF, promoting free markets and democracy through foreign assistance. This model for development is captured by modernization theory where developing countries are viewed as traditional agriculture-based societies that are in need of shifting towards a more “modernized” model of society. Western institutions and countries attempt to reconcile global inequality by extending aid in a way that intends to shift developing countries towards this model by means of market liberalization and democratization. On the other hand, Deng Xiaoping’s policies largely informed China’s model for development. He boosted China’s economic and developmental growth in the 1980s after years of famine and turmoil following the Cultural Revolution and Great Leap Forward. His “reform and opening up” model was largely based on development through infrastructure projects. China’s AIIB, for one, maintains that long-term economic growth can be achieved through systematic, and broad-based investments in

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infrastructure. China’s own development experiences underline how it views adequate infrastructure as essential to manufacturing, trade and economic growth.6

Besides a different approach to development, Beijing also has an alternative aid philosophy to the traditional Western ones. Rather than being a “donor,” China views itself as operating within a framework of South-South cooperation.7 In 2014, China published a white paper that frames its approach to aid, described below:

“China adheres to the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development. The basic principles China upholds in providing foreign assistance are mutual respect, equality, keeping promise, mutual benefits and win-win”.

— White Paper: China's Foreign Aid (2014)

This principle of non-interference or non-conditionality repeatedly espoused in China’s rhetoric is further elaborated in its critique of the current foreign aid regime. The Forum on China-Africa Cooperation (FOCAC) makes explicit China's critique of the dominant global mode of foreign aid, which in the Chinese view results in the mistreatment or exploitation of developing countries:

“Each country has the right to choose, in its course of development, its own social system, development model and way of life in light of its national conditions. . . . Moreover, the

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politicization of human rights conditionalities on economic assistance should be vigorously opposed as they constitute a violation of human rights.”

From China’s perspective, its offering of foreign aid is not merely an alternative model but a direct critique of the Western model. As such, conditionality is the biggest difference between Western and Chinese aid. The current Western-dominated international aid or lending system is characterized by conditionality, “wherein recipient nations must meet prerequisites in order to receive aid.” In line with its aid philosophy while aiming to build relationships and attract developing nations, China adopted a policy of no political preconditions for receiving aid.

While in rhetoric there is a lack of conditionality, upon closer inspection, experts discover that China does in fact subject recipient nations to certain conditions and requirements—ones that are still vastly different from what conditionalities conceive of. According to the Carnegie Endowment for International Peace, there are four main oft-overlooked “conditions” tied to Chinese aid. First, there is a “political conditionality” where recipient countries must adhere to the one-China principle and, subsequently, cannot have official ties with both mainland China and Taiwan. Second, an “embedded conditionality” exists to ensure that “any recipient nation of Chinese aid must agree to use Chinese labor and resources,” as well as adhere to certain regulations put in place by the Chinese enterprises. This conditionality is most relevant with the widespread use of infrastructure projects as aid. The third condition is an “emergent conditionality” that points to some evidence that exists on how Chinese aid-recipients become dependent upon China in strategic sectors of the economy due to heavy investments. This condition refers to the dominant presence of Chinese enterprises in recipient countries, particularly

8 C. Dawn Murphy, “China's rise in the Global South: the Middle East, Africa, and Beijing's alternative world order,” (Stanford, 2022)
10 Ibid.
with infrastructure projects. The outcome of this condition is also reminiscent of dependency theory, the notion that resources flow from a "periphery" of underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former.\(^{11}\) The last condition, “cross-conditionality,” is an implied condition whereby funding from China allows China or Chinese enterprises to have leverage over the recipient nation. Many examples of these “conditionalities” show up in my case studies in Chapter 5. Notably, there is no official record of these conditionalities—even in rhetoric—as many are implied or are only implemented in certain cases or projects. Nevertheless, common critiques or concerns about the codependency borne from the lack of clear conditionalities in aid are ones that this project will continue to explore.

1.3 Evolution of China’s Approach to Foreign Aid

As China grew and developed, its priorities in its foreign aid programs also evolved.

1950—1979. Around the founding of the PRC, Chinese leaders considered foreign aid to be a crucial tool in winning over friends in support of China’s international and regional objectives, especially in face of sanctions, “from claiming its seat on the United Nations Security Council, via winning diplomatic recognition of its claim to Taiwan, to building a united front with Third World countries.”\(^{12}\) In this early phase, foreign aid provision was “ideologically driven” by China’s internationalist obligations to support other Socialist and developing countries.

1980—1999. In the days of China’s opening up under Deng Xiaoping, China’s foreign aid prioritized economic interests by being pragmatic and driven by gains. In the early 1980s, China turned to the West in order to access capital and develop rapport. Domestically, the introduction of

\(^{11}\) Evans, Peter, Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil, (Princeton: Princeton University, 1979).

a market-oriented economic reform meant the integration of an approach that could facilitate China’s own global trade into the aid it provided to recipient countries—aid that was tied to more conditions related to trade and contracting projects. This approach was known as ‘aid to facilitate trade’ (以援促贸).14

2000—2011. In the decade at the turn of the century, China’s foreign aid entered a phase of expansion endemic to the economic growth of the 1980s and 90s. The 2011 white paper on foreign aid details an average growth rate of 29% in foreign aid expenditure between 2004 and 2009. As such, the foreign aid agenda turned towards supporting Chinese enterprises to expand overseas, a part of the ‘going out’ strategy (走出去) launched in 2000. Notably, China also more heavily engaged with traditional donor countries and participated in multilateral organizations during this time. Development assistance also became a larger part of China’s identity, evident in the establishment of the Forum on China–Africa Cooperation (FOCAC) in 2000.

2012—present. Xi Jinping’s rise to power ushered in a new era in its foreign aid programming, marked by a more dedicated pursuit of political and economic gains through the BRI and involvement in the international system. The Belt and Road Initiative (BRI) provides a symbolic display for China’s broad-based foreign assistance projects in this era. In a re-imagination of the legendary Silk Road, the BRI has rapidly expanded influence through Central and South Asia, the Middle East, Africa, and Europe by promoting infrastructure development and connectivity through land and sea routes. This global project offers Beijing access to a wealth of

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14 Tang, L. (唐丽霞), ‘新中国70年对外援助的实践与经验’ [Practice and experience of China’s 70 years of foreign aid], (Frontiers 2020)
resources, an outlet for its domestic overcapacity, economic policy control, and political legitimacy.\textsuperscript{16}

In recent years, China’s focus has simultaneously been centered around the desire to uphold international order and grow its ‘soft power.’ In the 2021 white paper on foreign aid, China explicitly states that it “has been upgrading its foreign assistance to a model of international development cooperation.”\textsuperscript{17} This is a notable shift towards an “activist approach to multilateral rule-setting” that reflects China’s growing prowess as a global power.\textsuperscript{18} Such a shift can be seen through various arenas on the global stage. For one, Beijing’s power in international institutions has significantly increased. It has thus far had Chinese representatives who led 4 of the 15 UN specialized agencies, including UNIDO, ITU, FAO and ICAO.\textsuperscript{19} The Chinese yuan or renminbi has also risen in prominence, and this growth has arguably come at the expense of other currencies — the euro, the British pound sterling, and the Japanese yen.\textsuperscript{20} The IMF’s designation of the renminbi as a reserve currency has great implications for potential that has long been impeded by the CCP’s unwillingness to liberalize its exchange rate. This would allow the Chinese currency’s external value to be determined by market forces, and to fully open the capital account. These are only some of many ways that China has been dominating multiple avenues for growth on the international level, emphasizing the ever-growing importance of watching Beijing’s foreign policies.

\textsuperscript{17} People’s Republic of China, “Chinese Development Cooperation in the New Era” White Paper.
1.4 Foreign Aid Players: Agencies and Instruments

Chinese foreign aid is administered through various agencies, depending on the type of aid and project. This subsection introduces three types of actors that are relevant to this project: government agencies, state-owned policy banks, and state-owned commercial banks.

![Diagram of Chinese Sector Agencies]

**Figure 1. Official Chinese Sector Agencies**

*Government Agencies.* Two government agencies serve the most instrumental roles in aid-giving. China Ministry of Commerce (MOFCOM) is the lead administrator of the country’s interest-free (or “zero-interest”) loan and grant programs for developing countries.\(^{21}\) MOFCOM grants and interest-free loans usually support projects with development intent so they fund many construction, maintenance, upgrading, or expansion of infrastructure and other physical assets. China International Development Cooperation Agency (CIDCA) is a recent establishment that institutionalized China’s development assistance cause, serving to formulate guidelines, plans, and policies for foreign aid. It joins the global aid arena, currently dominated by institutions from

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developed countries like the Department for International Development of UK (DFID), the Japan International Cooperation Agency (JICA), and the U.S. Agency for International Development (USAID). CIDCA administers grants and interest-free loans. Other relevant agencies include China Ministry of Finance, China International Center for Economic and Technical Exchanges (CICETE), and the Chinese Embassy.

State-owned Policy Banks. This type of foreign aid agent mainly includes Export-Import Bank of China (Exim Bank) and China Development Bank (CDB). The Exim Bank typically offers government concessional loans (GCL), which is a loan that it “issues to foreign governments maintaining diplomatic ties with China.”\(^{22}\) GCL is offered with below-market terms (typically 20-year maturities, 5-year grace periods, and 2% interest rates) and the Chinese government characterizes the GCL as a form of ODA.\(^ {23}\) CDB offers less concessional terms than China Eximbank loans because, “unlike China Eximbank, CDB must maintain its own balance sheets and lend without receiving official subsidies from the state.”\(^ {24}\) These two state-owned policy banks in China that provide overseas financing have a wide array of lending instruments, including but not limited to term loans, bridge loans, revolving credit facilities, working capital loans, commodity-backed loans, club loans, syndicated loans, and buyer’s credits.\(^ {25}\) Loans from CDB and Exim Bank are granted to both government agencies and companies.

State-Owned Commercial Banks. This category of lending agents is less relevant to this project but, in the context of foreign aid, serves to provide forms of concessional loans.

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\(^ {23}\) Ibid.


\(^ {25}\) Ibid.
State-owned commercial banks are defined as Chinese banks that are majority-owned by the Chinese government or one of its subsidiaries. As such, examples of state-owned commercial banks include the Industrial and Commercial Bank of China (ICBC) and People’s Bank of China.

2. China in Africa

Central to this thesis is not just Chinese foreign aid, but the intricate, complex, and highly-debated relationship between China and Africa. Africa is home to the largest number of developing countries and is the continent with the highest concentration of aid-received. Most of China’s ODA has gone to African countries, with the continent responsible for seven of the top ten recipients. Since the establishment of FOCAC (also referred to as “the Forum”) in 2000, China has actively developed its relationship with African countries under the framework of the Forum and consistently expanded assistance to the region. A commonly cited reason for China’s dedication toward sub-Saharan Africa is the shared experience of historic struggle under Western dominance. China’s impressive development progress over the past two decades has served as proof that growth under a non-Western framework is possible—an idea that China pushes through its infrastructure-heavy, “no strings attached” aid. The greatest recipients of Chinese aid in sub-Saharan Africa are, in descending order, Côte d’Ivoire, Ethiopia, Zimbabwe, Cameroon, Tanzania, Ghana, Mozambique, and Republic of Congo. This section explores why China is interested in Africa and what the Sino-African relations entails from both the Chinese and African perspectives.

27 Murphy, Dawn C, 2022
Figure 2. Distribution of China’s foreign aid by region, 1950–2018
Note: The Middle East is included in Asia

2.1 From China’s Perspective

The depth of China’s engagement with Africa is unparalleled. This subsection dives into China’s strategic political, economic, resource, and global interests in Africa by interweaving the diplomatic history of Sino-African relations.

The inception of the Sino-African relationship in contemporary history dates back to the years after the founding of the People’s Republic of China, a period characterized by China’s growing political interests in Africa. As such, aid was used as a pragmatic policy instrument to gain global recognition. Even though China’s own economic circumstances were far from optimal following the aftermath of the Great Leap Forward and the Cultural Revolution, the PRC still provided not only economic aid but also military training and weapons to various African countries’ independence movements. China saw newly independent African countries as potential

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allies to both build (or fail to build) ideological solidarity to advance Chinese-style communism as well as to gain recognition of legitimacy in face of the West and multilateral institutions. In 1971, the UN voted for China to take over its seat from Taiwan after 26 African countries sided with the new PRC. Mao famously proclaimed, “It is our African brothers who have carried us into the UN.” China’s recognition in the UN is no small feat, as this development marked the turning point in the PRC’s legitimacy and expansion in the international system. The centrality of Africa’s role in this is symbolic of a strong foundation for allyship. In addition, a notable development assistance project during this period was one of various infrastructure projects China undertook, the 1860-kilometer long Tanzania-Zambia railway. This project was financed, built, completed by China, and hailed as a monument of the China-Africa friendship.

In the next period between 1978 to the 1990s, China turned inwards to focus on its domestic economic development, while its ‘opening up’ policy increased engagement with the Western world. Entering the 2000s, China mainly had strategic economic interests in certain African natural resources, mainly crude oil. In 2005, Nigeria, Angola, and 5 other African countries supplied 28% of China’s crude oil imports, an over three time increase in percentage points relative to import levels from this region in 1995. Trade between the African countries and China continued to rise as China increased its dependence on Africa for this crucial resource.

30 The Economist. “The Chinese-African relationship is important to both sides, but also unbalanced,” May 2022, https://www.economist.com/special-report/2022/05/20/the-chinese-african-relationship-is-important-to-both-sides-but-also-unbalanced
In the current global climate, Africa is still important to China’s global expansion. This is reflected by the increased frequency of visits of African leaders to China since the 1990s: from 9 visits during 1990–1999, 47 in 2000–2009, to 172 in 2010–19.\textsuperscript{34} The last figure even surpassed the 83 visits of African leaders to the US between the same time period (2010-19).\textsuperscript{35} China’s interest in leveraging its relationship with and presence in Africa to expand its global influence is also made clear by how China supplies aid. As mentioned previously, China does not seek to use aid to influence the domestic politics of African countries or dictate policies like traditional Western conditionalities do. Instead, China provides infrastructure financing and loans to help with Africa’s industrialization and development and gains certain privileges in return, including gaining access to resources and local markets. Many of the infrastructure projects and ODA also create business opportunities for Chinese companies and employment for Chinese workers.

2.2 From Africa’s Perspective

An often overlooked aspect of Sino-African relations is what Africa’s intentions and agenda are in engaging with China. Mainstream literature and rhetoric tend to remove the agency from the African perspective by villainizing China and victimizing African countries. Whether or not there is truth to this portrayal, in this subsection I examine Africa’s perception of the China-Africa relationship, look at how Africa stands to gain from it, and describe the emergence of African agency in recent scholarship.

Many African countries have experienced rapid economic and social change in recent years, shedding light on key areas that Africa needs to develop in the coming years. These areas


\textsuperscript{35} Ibid.
include infrastructure, strong governance, a green transition, as well as harnessing opportunities afforded by Africa Continental Free Trade Area. With its development revealed the need for infrastructure financing, of which China readily provides with little strings attached along with other leading donor countries such as the US.

At the government-level, many country leaders have maintained favorable relations with Beijing, whereas other relationships have soured due to unfinished or low quality infrastructure projects. Little literature exists to reveal different African countries’ intentions in engaging with China, but state agency on the part of these countries remains an important consideration. One such example is Gadzala’s book “Africa and China: How Africans and Their Governments are Shaping Relations with China,” which explores the case study of Angola, and how the government “manipulated the balance of power in their relations with China, both in the limiting of Chinese influence in a domestic context and leveraging the relationship with China to accrue benefits in the international, regional, and domestic spheres.”

This case study is emblematic of the need to restore African state agency in the narrative of China-African relations. While some countries lack a regulatory and political framework to harness China’s aid and engagement, others may gain from the relationship. Figure 3. Perception of influence

In addition, domestic perception of China’s and the U.S’ influence can, in part, show how these relationships translate into visible positive or negative impact for African civilians. According to Afrobarometer data based on respondents from 16 African countries, when asked

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about whether the influence of China, the United States, and other countries on their own country is mostly positive or mostly negative, they found that China is generally viewed favorably. As shown in figure 3, this Economist graph shows that the 34 African countries hold the most “somewhat/very positive” view of the economic and political influence of China on their countries. While country-level surveys reveal more nuances to these perceptions, these results are largely in opposition to popular narratives of China’s predatory or exploitative behavior.

Throughout the rest of this project, I will highlight different approaches to and perspectives on Sino-African relations, especially by exploring how African agency can play a role in mediating Chinese aid effectiveness.

CHAPTERS

The central purpose of this research is to explore Chinese aid effectiveness in different African regimes. In the following chapter, I dive into existing literature while setting up my central research questions and hypotheses. In order to holistically answer those research questions, I conduct both a quantitative and qualitative exploration of my hypotheses. I detail my research design in Chapter 3.

Chapter 4 presents my quantitative analysis, which intends to set the foundation for my case studies and allow me to draw inferences about the effect of Chinese foreign aid on different regimes. Using World Bank and AidData datasets, I will run four specifications for four different development outcomes.

My second research design will be in the form of comparative case studies in Chapter 5. Building upon the findings from my quantitative analysis, I select three countries—one categorized as “free” and two as “not free”—as case studies. This project draws attention to the need to explore
China’s intentions and relationships with individual African countries, as opposed to treating the countries within the African continent as a single entity. Using case studies allows me to take into account each African country’s history, government, economy, and relationship with China. At the end of chapter 5, I conduct a direct case comparison.

In the final chapter, I conclude by discussing the findings from my research and its implications.
CHAPTER 02
LITERATURE REVIEW

The central study of this thesis is built upon three questions:

1. Does Chinese foreign aid promote development in African countries?
2. Does the effectiveness of Chinese aid differ across regime types among African countries?
3. If aid effectiveness does differ across regime types, what factors or mechanisms drive this difference?

With these questions in mind, I will lay out existing literature, discuss my central hypotheses, and address key assumptions in this chapter. Before interrogating the existing literature and my hypotheses, it is necessary to first define what I refer to as regime types and aid effectiveness.

Regime types encompass a spectrum of democracies, transitioning states, and autocracies or authoritarian states. In this project, I consider regime type in view of the “democraticness” or “free-ness” of a country’s governance. There are various methods for bifurcating regime types, including Freedom House scores, the Economist Intelligence Unit Freedom index, and the polity score. I will utilize the Gastil Freedom House index which categorizes 210 countries by looking at people’s access to political rights and civil liberties in those territories, with reference to other aforementioned indices. The Freedom House index categorizes countries as ‘Free,’ ‘Partly Free,’ or ‘Not Free.’

In defining aid effectiveness, I refer to the commonly cited goal of foreign aid. This goal is centered around promoting economic development and improving the welfare of populations in
developing countries. The term “effectiveness” holds a large degree of ambiguity as there is no consensus as to what constitutes effective versus ineffective aid outcomes. Given that this thesis aims to compare aid effectiveness of Chinese aid across regime types, “effectiveness” will be used mostly in comparative or relative terms. For example, in my quantitative analysis, I look at GDP per capita, HIV prevalence, schooling, and access to the internet as measures of aid effectiveness. As such, an increase in GDP per capita, for one, can serve as evidence for aid effectiveness while a decrease shows the opposite.

EXISTING LITERATURE

There are three main relationships that are crucial to this project: the effectiveness of foreign aid in promoting development; regime type and aid effectiveness; and Chinese foreign aid in Africa. To address the first two relationships, I look to general literature on foreign aid which can be parsed into two parts. The first side studies the effects of foreign aid on certain outcomes in recipient countries while the other looks at determinants of aid-giving and effectiveness.

Foreign Aid and Development

In this category of literature, scholars explore the relationship between aid given and certain outcomes in recipient countries. The relationship between foreign aid and development is one that is well-studied, yet there is no dominating or compelling evidence that confirms unique patterns of aid-growth relationships. Some country-level studies (Chenery and Strout, 1966; Papanek, 1973; Dowling and Hiem Levy, 1988) indicate a positive influence of aid on growth in the poorer developing countries, while there are other studies (Cassen et al., 1994; Griffin and McKinley, 1994; Mosley, 1987) that show a negative effect or no significant relationship. When aid is shown to have an effect, however, there are channels by which it achieves this. Morrissey

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2004 argues that “aid can contribute to growth in two basic ways.” First, aid “can finance investment in physical and human capital that promotes growth.” This is the government-spending channel that was discussed above. Second, donors can also promote growth by using their “aid as a lever to encourage policy reform, i.e., conditions are attached to the aid.” Mahembe and Odhiambo 2021 specifically focuses on the effect of foreign aid on poverty reduction in Sub-Saharan Africa (SSA) and finds that foreign aid does have a statistically significant poverty reduction effect in SSA. In addition, the disaggregation of aid by source and type shows that total ODA, grants and multilateral aid have poverty reduction effects while democracy also enhances the effectiveness of foreign aid in reducing poverty.38

Aid Effectiveness

Central to the study of aid effectiveness is the question of what factors influence the degree to which aid benefits development and growth in recipient countries. Studies point to several determinants such as donor strategic interests, recipient regime type, ‘good governance,’ and the strength of domestic institutions as important factors for aid effectiveness.

There are two schools of thought driving the aid effectiveness conversation; one views foreign aid as ineffective due to misspending; the other sees aid as a tool for empowering development. The former, more pessimistic view, hinges on a few arguments such as the use of aid for policy concessions, aid-recipients using aid for corrupt means, and aid as a disincentive for policy and economic reform (for example, de Mesquita & Smith, 2007; Hope & Chikulo, 1999). The latter view of aid as a positive tool for development is largely founded upon the following logic promoted by economic theory: developing countries face poverty traps that often cannot be overcome due to the nation’s insufficient savings but can be filled by aid. The theory is that aid can

supplement this saving-deficit, allowing countries to escape the poverty trap threshold. Aid can be channeled through domestic investments to foster economic growth. In many cases, there are missing links in this theory. A few earlier studies such as Easterly (2003) and Islam (2003) argue that foreign aid improves institutional quality by allowing the government to invest in activities that improve the quality of bureaucracy, reduce corruption, and enforce the rule of law. Notably, this theory hinges on the assumption that aid equals investment, and investment equals growth. Both of these assumptions can be proven otherwise as governments are not perfect actors with aligned incentives for promoting growth. My thesis explores whether or not these factors differ across regime types.

HYPOTHESES

To begin answering the questions driving this project, I posit two hypotheses that the following chapters will test.

H1: Chinese aid is associated with development and growth in African countries.
H2: The impact of Chinese aid on recipient-country development is conditional on political regime types. Chinese aid to African democracies leads to better development outcomes, or is more effective, than aid to non-democracies (or a lower-scoring country on the Freedom Index).

(a) *China is able to be more extractive*\(^{39}\) in more extreme authoritarian regimes because Western institutions and countries most often withhold aid from “less free” countries as part of sanctions and misaligned moral considerations. China’s provision of a non-interfering alternative in the assistance space gives China more leverage to advance its own strategic interests with non-democratic countries in Africa.

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\(^{39}\) By “extractive,” I refer to behaviors, actions, and projects that serve to benefit China more than it does to advance the welfare of the recipient country. Underlying this argument lies a few key assumptions that I will address one by one.
(b) *African countries that are “less free” have a lower degree of agency in its engagement with China, due to international isolation or a dispreference for Western conditional aid.*

These hypotheses are contingent on four central assumptions that I will now address.

**Assumption 1: Chinese Aid-Giving for Strategic Interests**

In my second hypothesis, I make an implicit assumption that China’s foreign aid is tied to political and strategic interests. This assumption is supported by general discourse on foreign aid that foreign aid flows respond to political variables or that aid and development programs are fundamentally linked to national interests. While many altruistic principles are publicly associated with these aid programs, Purnendra and Morreale 2020 assert that “the use of taxpayers’ money and national resources for international aid requires domestic justification.” Alesina and Dollar 2000 corroborate this by showing that different donors exhibit varying patterns of giving. For example, certain countries tend to respond to “correct” incentives. Other donors (namely France) give based on political alliances, especially if a recipient country is a former colony. The United States and its aid-giving follows its regional interests, with a focus on the Middle East. Given the difference in each country’s motivation for giving, it is difficult to draw generalizations about who tends to give to whom. However, one thing is clear in this strain of literature: domestic interests of the donor country often take priority over the recipient country's interests. Other scholars argue for a more optimistic ‘mutual benefit’ approach to foreign aid, where foreign aid is seen as beneficial for both donors and recipients. This approach is detailed in, for example, China’s ‘Five principles

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of peaceful coexistence’ that highlight mutual benefit as a core tenet of foreign assistance. The degree to which this principle is carried out in practice is highly debated.

An interesting way to conceive of foreign aid-giving is to view it as “symbolic gift-giving.” This approach is developed by Tomohisa Hattori, who argues that “aid practice transforms material dominance and subordination into gestures of generosity and gratitude. This symbolic transformation, in turn, euphemizes the material hierarchy underlying the donor-recipient relation. In this process, recipients become complicit in the existing order that enables donors to give in the first place.” While I do not necessarily agree with Hattori’s characterization of aid as “symbolic gift-giving,” I do find a lot of salience in the complicity that countries have as recipients. This dynamic is a relationship to be further tested and explored in my case studies. Indeed, China’s ability to give aid creates a sort of hierarchy that enables it to pursue its strategic interests, with aid as its vehicle.

Specific to China, a meta-regression analysis of all studies on Chinese foreign aid show that, across 15 studies, “on average, Beijing’s aid has had a positive effect on economic and social outcomes, but the opposite on governance, albeit negligible in size.” In terms of aid allocation, Dreher and Fuchs (2015) show that there is no strong empirical evidence of China as a resource-hungry donor granting money to oil-rich countries for the sake of resources. Political interests have been shown to play a more important role than commercial interests in the allocation of aid money.

**Assumption 2: China vs. the West’s Willingness to Provide Foreign Aid**

Large, typically Western, donor countries are more reluctant to provide foreign aid to recipient countries that are autocratic in nature, especially as there is often a high correlation between autocracies and human rights violations, corruption, or other elements deemed non-democratic. Conversely, China is more indifferent about recipient-countries’ regime type. This is exhibited by China’s principle of non-interference in its aid allocation. This is not to say that China is completely ignorant of recipient-country politics, but rather that it is a compelling alternative partner to many African countries.

To address the reluctance of Western countries in the first part of this assumption, I acknowledge that this theory potentially contradicts a group of scholars that argue for the West using economic and military aid to democratize non-democratic states by influencing policy and government type (Kono & Montinola 2009; Bermeo 2011). Without dismissing this argument above, I look to evidence that Western donors, such as the US, UK, and EU countries, commonly withdraw aid or employ sanctions as tactics to influence domestic politics or government repression. In addition, Western countries, many of which are democratic, care more about image and ethical accountability—at least on the surface—relative to China. Though China’s increasing role as a global power has increased its attention to international image, China does not hold the same standards when engaging with repressive regimes.

China, on the other hand, is more willing to provide foreign aid to countries regardless of the recipient country’s political system, since China’s principle aid-giving philosophy is grounded in non-interference and respect for foreign sovereignty (Davies 2007; Brautigam 2009).

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Ministry of Commerce (1990) claims that it has "full respect for the recipient's sovereignty, without attaching any conditions and not asking for any special privileges, which displays the true spirit of sincere cooperation. Chinese aid comes without Western lectures about governance and human rights."\textsuperscript{45} This diplomacy rhetoric has continued to be used in recent white papers and government briefs. Contrary to many scholar’s arguments that China’s principle of non-interference means aid is generally the same across regime types, this thesis hereby highlights the intricacies of Chinese aid and its interactions with donor or recipient political interests as well as recipient institutions and mechanisms.

**Assumption 3:** Aid Effectiveness Varies by Regime Type

H2 hypothesizes that aid effectiveness is conditional on regime type. Literature on the relationship between aid effectiveness and regime type exists but is not abundant. Bearce 2013 questions the popular narrative and theory that aid should be more growth-effective when given to more democratic recipients by pointing to the lack of empirical evidence that democracies do invest more of their received aid than nondemocracies. The results in Przeworski et al. (2000) show that while poorer countries invest less than richer ones, dictatorships invest at about the same rate as democracies at all levels of wealth. Another study by Boone 1996 similarly reports that “democracies and liberal regimes do not allocate aid any differently from other regimes” in that aid tends to be used for consumption spending in democracies and autocracies alike. Even if democracies do not invest more aid received than nondemocracies, China’s relationship with democracies may have a higher degree of accountability and domestic institutions may be more efficient at channeling aid into results. What is clear in this study of aid is that the assumed causal channel by which aid is directed towards growth-related investments affects aid effectiveness. The

\textsuperscript{45} The Economist, "The China model: The Beijing consensus is to keep quiet," May 6, 2010
question remains whether there are characteristics of varying regime types and the relationship they have with donors that systematically inform how aid is used and, in turn, how much ‘good’ it generates for development. My argument fills in this gap by exploring these differences, if any. I hereby question whether or not China’s “no strings attached,” non-interference aid makes a difference.

Why might non-interference and no conditionalities matter by regime type? Specifically, why might more democratic African countries see better development outcomes as a result of Chinese aid? With this aspect, it is important to note that Chinese aid effectiveness may be mediated by the recipient government. China’s non-interference principle allows recipient governments to have more discretion and direction in the ways aid can be spent, compared to Western aid (Tull 2006; Naím 2007; Marantidou and Glosserman 2015). Under this logic, a country with better mechanisms and higher incentives to direct aid in an efficient way would witness better outcomes. This logic is adopted by Asongu (2015), who finds that there are institutional benefits from foreign aid inflows; however, these benefits are contingent on existing institutional levels. Political leaders in more democratic countries with higher pressures for political survival may have a greater incentive to provide public goods and to invest with or even without foreign aid. Applied to China, Chinese aid may work effectively in countries which have strong willingness to invest in aid for economic growth. In more autocratic regimes, political leaders face fewer public pressures and can easily steer public resources for personal or corrupt purposes. Chinese aid is, thus, more likely to be directed to projects where personal and parochial interests of political leaders are best served instead of seeking maximum returns on promoting development. I feel optimistic theorizing that more democratic countries have stronger incentives,
motivation, and institutional mechanisms to hold more leverage in face of Chinese engagement relative to “less free” countries.

This assumption would be contested by scholars who posit that decision-making by more democratic countries may become more suboptimal due to public forces that have no internal coherence (Przeworski et al. 1995). Essentially, foreign aid gets “stuck” in the midst of bureaucracy and inefficient decision-making. To this, I push back by extending this view of government inefficiency to “less free” governments as well, where there typically exists lower incentives or weaker institutions for allocating resources in a way that is beneficial to citizens. The role of government efficiency and incentive will be further explored in my case studies.

In a study of 53 African countries, Williamson (1994) points out that it is not so much the democracy-authoritarianism distinction per se that makes a difference in aid effectiveness, but the extent of insulation from political pressures, originating from special interest groups such as big businesses and unions, and the degree of repression that guarantee enough support from popular forces for the government to stay in power. Keeping in mind these distinctions, I attempt to parse what mechanisms may lead to differences in Chinese aid effectiveness and hypothesize that recipient government leverage and agency play an important role. My hypothesis subsequently argues that government leverage and agency are associated with the regime type of the recipient country, especially put into context of Western donor activity on the international level.

Assumption 4: African Agency Exists and Can Mediate Aid Effectiveness

This assumption related to African agency relates most to H2(b) where I argue that: African countries that are “less free” have a lower degree of agency in its engagement with China, due to international isolation or a dispreference for Western conditional aid. There has been a recent rise
in literature emphasizing African agency, a stark shift from most literature that have characterized China as the sole driving force in Sino–African engagement. Little recognition is given to the role of African agency, especially beyond the level of state elites.

First, what is meant by ‘agency’? According to Brown (2012), agency represents “the faculty of acting or exerting power.” In the context of IR, African agency is therefore understood as the ability of African actors’ to negotiate and bargain with external actors, like China, in a way that benefits Africans themselves.

In line with this definition, Corkin (2013) is one such scholar who argues that “domestic elites can shape relations with foreign capital and bilateral partners to extract significant resource rents and to maintain domestic political and economic power.” Gadzala (2015) explores how Africans and their governments are shaping relations with China through agency on two-levels: the national and individual level. This examination of African agency highlights the importance of both national-level considerations such as internal and external legitimacy but also the interests and biases of individual political elites.

In contrast, Pádraig Carmody and Peter Kragelund charge that recent literature to emphasize African agency may “unintentionally support ‘internalist’ explanations of African underdevelopment” because “positing Africans to be in the driving seat or as being co-pilots in relations with China may imply that the elites have the power to reshape fundamentally the nature of their state-societies.” Keeping this in mind, it is important to highlight the power differentials inherent to donor-recipient relationships as well as how African agency in China-Africa relations

48 Aleksandra Gadzala, Africa and China: How Africans and Their Governments Are Shaping Relations with China (Lanham: Rowman & Littlefield, 2015);
takes many forms and involves a wide variety of actors, operating at a range of levels. My case studies will later embody this approach in analyzing what types of ‘agency’ states exercise in engaging with China and how that mediates aid effectiveness.
CHAPTER 03

RESEARCH DESIGN

In order to test the hypotheses I posit in the previous chapter, I employ a two-part mixed methods approach of conducting a quantitative econometric analysis and comparative case studies.

METHOD 1: QUANTITATIVE

My quantitative methodology is divided into two parts: descriptive statistical analysis and regression analysis. For this project, I utilize data on Chinese foreign aid as well as development indicators by AidData and the World Bank. First, this data allows me to create descriptive statistics that show aid flow patterns and correlations between Chinese aid and four different development outcomes. I, subsequently, identify case studies for my qualitative methodology (Chapter 5) using these graphs.

Second, I conduct regression analysis in an attempt to answer the first two research questions I pose: 1) Does Chinese foreign aid promote development in African countries? and 2) Does Chinese aid effectiveness differ across regime types amongst African countries? To do so, I use three empirical specifications for each of my development outcomes of interest: GDP per capita, HIV prevalence, Children Out of School, and Internet Access. I estimate the effect of Chinese foreign aid amounts on each outcome, increasingly controlling for other factors across my three models. The specifics of my empirical set-up will be detailed in Chapter 4.
METHOD 2: QUALITATIVE

The purpose of my comparative case studies is to supplement my data analysis and answer my third research question: If aid effectiveness does differ across regime types, what factors or mechanisms are driving this difference?

In Chapter 5, I will delve into three African recipient countries that are identified through my quantitative analysis. I further narrow down my case selection by conducting preliminary research on each to understand the nature of their relationship with China. The three chosen cases consist of two “Not Free” regimes and one “Free” regime, all of whom receive a high amount of Chinese aid (“high” refers to the top 33 percentile of cumulative Chinese aid flow between 2000–2012). Zimbabwe and Angola, both categorized as “Not Free,” allow me to compare why development outcome changes across 16 years of receiving aid may differ. For example, why did Zimbabwe’s GDP per capita, HIV prevalence, children out of school, and internet access exhibit less optimal growth than did Angola? In addition, I look at Ghana, a “Free” category country, as my third case study to target my interest in comparing regime type effects. In each case study, I analyze each African country’s political history, economic landscape, as well as relationship with China in an attempt to parse the mechanisms driving or hindering aid effectiveness.

This chapter ends with a discussion of how Chinese aid effectiveness interacts with these regimes with varying degrees of agency and leverage. I highlight the driving mechanisms that affect how China interacts with its recipient country.

SIGNIFICANCE

The significance of my research lies in the implications of China’s growing influence on development, my potential contribution to the discourse on Chinese foreign aid, and my methodology. First, China’s approach to development and foreign aid conditions are different from
those of Western countries, who have long led development efforts. My research will break down what the results are from Chinese foreign aid in various African countries, shedding light on the efficacy of an alternative approach to foreign aid and development assistance. The findings in this thesis may prove useful to policymakers in other countries in considering the efficacy of existing foreign aid practices.

Second, my literature review reveals that there is little to no existing research on Chinese foreign aid effectiveness across different regime types. There is also little consensus on whether or how aid, in general, interacts with different regime types. The potential varying effects of such aid across regimes will reveal the effects of China’s alternative aid practices as well as how political relationships or diplomacy may inform development outcomes in recipient countries. Importantly, this research serves to provide evidence for ‘myth-busting’ when it comes to common narratives and accusations surrounding Chinese foreign aid provision.

Third, my comparative case studies on Zimbabwe, Angola, and Ghana provides a first-look at how aid effectiveness in African recipient countries may compare. There exists few, or even no, studies in this topic examining aid efficacy using comparative case studies, with most scholars focusing on either one country or conducting regional-level data analysis. Specifically, my focus on agency and leverage in the context of African recipient countries serves as an important factor to highlight, amidst longstanding narratives and practices in both media as well as scholarship to dismiss African governments as victims without agency. These case studies also highlight that the African continent is not monolithic in any aspect of its governance or foreign relations. China’s interaction with each recipient country, as my case studies will show, are fundamentally different in nature.
CHAPTER 04

QUANTITATIVE ANALYSIS

INTRODUCTION

This chapter seeks to answer the central research questions of this thesis using descriptive statistics and econometric analysis. I establish correlatory relationships between Chinese foreign aid and development outcomes, as well as whether or not these effects vary by regime type. In this chapter, I seek to test both H1 and H2, reiterated below:

H1: Chinese aid is associated with development and growth in African countries.

H2: The impact of Chinese aid on recipient-country development is conditional on political regime types. Chinese aid to African democracies leads to better development outcomes, or is more effective, than aid to non-democracies (or a less “free” country as determined by the Freedom House Index).

DATA

In order to look at development outcomes holistically, I utilize four measures: GDP per capita, HIV prevalence, percent of children out of school, and percent access to the internet as proxies. The choice of GDP per capita as an outcome variable is a simple one; it is a common measure of development as it is able to capture economic growth at a high level including spending, trade, investment, and government spending. However, discourse in the development field emphasizes the shortcomings of using GDP per GDP per capita as the sole measure of
development as it fails to capture inequality and aspects of human wellbeing, including quality of life and access to basic needs.

In order to supplement the drawbacks of basing development progress on GDP per capita as an indicator, I include a measure of health, education, and infrastructure as additional outcomes. The use of variables HIV prevalence and percent of children out of school are able to capture changes in outcomes as opposed to looking at health or education expenditure which reflect intent. Specifically, I expect the sign of the coefficients in all four models to be negative for both HIV prevalence and percent of children out of school. With more Chinese foreign aid, I hypothesize that health outcomes improve, meaning a decrease in HIV prevalence. Similarly, the percentage of children out of school may decrease as a result of more educational funding or other factors that lower the opportunity cost of attending school.

Given China’s development approach centering around infrastructure-building, I intended on utilizing a measure of physical infrastructure improvements such as the length of roads and railways. However, the lack of data availability constrained my ability to look at these outcomes. As a close alternative that was still closely related to infrastructure, I look at access to the internet as a percentage. I expect the coefficient for access to the internet (as a %) to be positive as Chinese aid aims to improve infrastructure in recipient countries.

**DATA COLLECTION**

I utilize AidData and World Bank development indicators data to create my dataset. AidData—created by the William and Mary Research Lab—is the only comprehensive compilation of data on Chinese foreign aid. This dataset ranges over 48 African countries in the period from 2000 to 2017. In order to narrow down to the types of financial flow that I am most interested in and that are most comparable to OECD aid, I drop all ‘flow’ classes that are not
categorized as “ODA-like.” I then merged this with a dataset of World Bank development indicators, including GDP, education, health, and other measures. After data cleaning, I have a total of 643 observations with 46 African countries represented.

Table 1. Summary Statistics of Variables

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<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
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<tr>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>GDP per capita (logged)</td>
<td>643</td>
<td>7.18929</td>
<td>1.09914</td>
<td>5.2723</td>
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<td>HIV Prevalence (% of adults aged 17)</td>
<td>596</td>
<td>4.5998</td>
<td>6.1165</td>
<td>0.1</td>
<td>25.7</td>
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<tr>
<td>Children Out of School (% of primary age children)</td>
<td>382</td>
<td>19.4046</td>
<td>16.3194</td>
<td>.22515</td>
<td>64.693</td>
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<tr>
<td>Access to the Internet (% of population)</td>
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<td>8.8585</td>
<td>12.5527</td>
<td>0.031</td>
<td>58.27</td>
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<td><strong>X Variables</strong></td>
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<td></td>
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<tr>
<td>Total Aid</td>
<td>623</td>
<td>1.16e+08</td>
<td>4.84e+08</td>
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<td>7.80e+09</td>
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<td>82</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
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<tr>
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<td>293</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
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<tr>
<td>Not Free = 1</td>
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<td>22.777</td>
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</tbody>
</table>

Table 1 lists the descriptive statistics of each variable. In terms of total Chinese foreign aid amounts, the average amount received by an African recipient country is US$116,000,000 ($116 million). The lower bound of aid amounts is US$1559.42 and the higher bound is around US$780 billion. For the outcome (Y) variables, I observe that the average HIV prevalence amongst the African countries in my data is at 4.6% which is relatively low for a continent with 68% of the world’s HIV cases. As for the percent of children out of school, the mean is 19.4%. This percentage accounts for around 33.8 million primary school-age children out of school, accounting
for the largest percentage and number in the world.\textsuperscript{50} The lowest percentage in my dataset of 0.22% is that of Sierra Leone in 2011 and the highest is 64.69% in Djibouti in 2002. In terms of access to the internet, Morocco has the highest % of the population with access to the internet at 58.27%. Despite rising numbers in Africa over the years, today, the continent's internet penetration of 44% remains lower than the global average of 66%.\textsuperscript{51}

PART I: ESTABLISHING CORRELATION

In order to establish some baseline correlations between Chinese foreign aid amounts and development outcomes, I first create descriptive statistics and graphics. To do so, I create five key variables from my existing dataset.

First, I aggregate the amount of Chinese foreign aid each country received between 2000 and 2012 in a new variable ‘sum_aid’. These years were chosen in order to somewhat account for the year by year differences in socio-political environment that warrants more or less aid given. In addition, the aggregation of 12 years of aid hopes to account for how expenditure of aid may be channeled differently across over a decade.

Second, I create a categorical variable called ‘aid category’ that captures the level of aid that China directs to a given country: “low,” “medium,” or “high.” The boundaries for these categories are determined by taking the first 33 percentile of aggregated aid amounts (‘sum_aid’). I employ these categories for two purposes: to illustrate whether or how correlations between aid amounts and development outcomes secondarily show relationships between aid-level categories as well as to help me identify potential case studies.

\textsuperscript{50} Our World in Data. “Access to basic education: Almost 60 million children of primary school age are not in school,” https://ourworldindata.org/children-not-in-school
Then, I create a variable for each development indicator of interest that represents the percentage or absolute change of these variables between 2000 and 2016. I use percent change in order to account for varying baselines; I do so for GDP per capita, HIV prevalence, children out of school, and access to the internet. Note that, with the exception of GDP per capita, all variables are already in percentages, meaning that my percentage point change will be calculated as the value in 2000 (as a %) minus the value in 2016 (as a %). 2016 is chosen both in order to account for lag time and due to the lack of comprehensive data points in other years post-2012.

The resulting graphs for each development indicator are shown below.

**Figure 1.** Percentage Change in GDP per capita (logged) by Aid Category

With GDP per capita (logged) as the first development indicator, the desired change is in the positive direction. Most countries represented in this graph experienced positive percent changes across 16 years, yet there are five countries exhibiting the opposite trend: Madagascar,
Burundi, Central African Republic, Eritrea, and Zimbabwe. I speculate that these trends may be endemic to domestic political instability, natural disasters, or even financial crises. High aid recipient countries seem to have the highest average percent change in GDP per capita (logged), relative to the Medium and Low categories, which is in line with H1.

**Figure 2.** Change in HIV Prevalence (% of Population) by Aid Category

Figure 2 shows how HIV prevalence (%) correlates with Chinese aid. The expected sign of the percent change in HIV prevalence across time is negative. We want to see a negative percent change in this indicator as that signifies a reduction in the percentage of the population with HIV. For most countries in this sample, that is the case. Interestingly, there are three out of eleven high-aid-recipient countries whose percent change in HIV prevalence was positive, meaning a larger percentage of the population had HIV over 16 years. This includes Equatorial Guinea,
Angola, and South Africa. These results are surprising to me, especially South Africa. Upon further research, however, I found that the HIV epidemic in South Africa is persistent and that HIV and AIDS is one of the country’s main challenges. Ethiopia, Burundi, Eritrea, and the Central African Republic exhibited the highest reduction in HIV prevalence, all showing an over 50% decrease in the % of population with HIV.

![Image of Figure 3]

**Figure 3.** Percent Change in Children Out of School (% of School-Age Children) by Aid Category

This graph shows significantly fewer countries due to the abundance of missing data points. Still, certain trends emerge. Zimbabwe, despite being categorized as a high-aid country, has shown undesirable growth across multiple indicators. With respect to the percent of children out of school, Figure 3 shows that Zimbabwe’s percent change in children out of school increased by around 2.4% and Cabo Verde with a 6.7% increase between 2000 and 2016. The desired direction of growth is in the negative direction, with a negative percent change signifying a decrease in the
percentage of children not attending school. Madagascar, Guinea, and Tanzania all saw decreases in the percent of children out of school by over 30%, though each of them are in a different aid amount category. This graph does not present strong correlations between the aid category and the percent change in children out of school. The average change is relatively uniform across aid categories.

**Figure 4.** Percentage Change in Internet Access (% of Population) by Aid Category

In figure 4, I observe that all African countries represented saw positive changes in their percentage of the population with access to the internet. It is notable that the largest boosts in internet access between 2000 and 2016 occurred in South Africa, Seychelles, and Cabo Verde. In terms of trends, the low-aid category appears to have a high average change in internet access.
There are many limitations to this method. First, I am only able to show and draw correlations through this method. Without controlling for the wealth of other variables that may influence development outcomes, I am limited to looking at patterns. Second, the results shown in the graphs are highly dependent on data availability for each country in any given year. The chosen years are also mostly arbitrary, making it difficult to verify accuracy and validity in the inferences drawn.

With that being said, these correlations are helpful in narrowing down case studies choices. My case selection will predominantly occur in the high-aid category as I want to see how and where the effectiveness of Chinese aid shows up. South Africa, Namibia, and Ghana are the only countries under this criteria that are categorized as “free.” Zimbabwe, Ethiopia, Sudan, Angola, Tanzania, Cameroon, and Equatorial Guinea are all “Not Free.” The rest of the high aid category countries are “Partly Free.”

With these regime categorizations and the patterns across all four graphs, Zimbabwe emerges as an example of potentially not-so-effective aid as its development indicators have trended in a negative way over time. This case will represent a “Not Free” country that has a high degree of corruption and an authoritarian government.

In order to find a case study that can be aptly compared to Zimbabwe, I seek a second case country that is in the high-aid category and also a “not free” country that has shown more promising growth across these development areas. Ethiopia and Angola emerge as possible test cases. Upon more research, I find that literature on Angola has frequently mentioned its display of “agency” in engaging with China. This discovery fits well into my exploration of the agency's role in mediating aid effectiveness.
Lastly, I require a high-aid recipient country that is categorized as “Free.” As mentioned before, South Africa, Namibia, and Ghana are the main options for further examination. I rule out South Africa as its position is harder to compare to Zimbabwe and Angola, especially given its inclusion in BRICS—a consortium of five leading emerging economies along with China. Between Namibia and Ghana, I once again refer to literature for selecting a final case. I ultimately find Ghana to be a prime case as it has a relatively strong government and institutions for channeling aid and it allows me to explore how natural resources may affect China’s donor–recipient relationship in light of Ghana’s oil discovery.
PART II: REGRESSION ANALYSIS

MODEL

In order to parse the effects of Chinese foreign aid on development outcomes, I use four empirical specifications to estimate this relationship. Each of the four indicators (GDP per capita (logged), HIV prevalence, Children Out of School, Access to the Internet) are my Y variables, and my main independent variable is Chinese foreign aid (logged), abbreviated and referred to as logaid from here onwards. I included key X variables based on economic intuition and the data available from AidData and the World Bank. These specifications can be expressed by the following equations:

1. \[ Y_i = \beta_0 + \beta_1 (\text{logaid})_i + \epsilon_i \]
2. \[ Y_i = \beta_0 + \beta_1 (\text{logaid})_i + \beta_2 (\text{Year DVs}) + \beta_3 (\text{Country DVs})_i + \epsilon_i \]
3. \[ Y_i = \beta_0 + \beta_1 (\text{logaid})_i + \beta_2 (\text{Free}) + \beta_3 (\text{Partly Free}) + \beta_4 (\text{Free*logaid}) + \beta_5 (\text{PartlyFree*logaid}) + \beta_6 \]
   \[ (\text{Year DVs}) + \beta_7 (\text{Country DVs})_i + \epsilon_i \]
4. Instrumental Variable: 2 Stage Least Squares\textsuperscript{52}
   a. \[ Y_i = \beta_0 + \beta_1 (\text{logaid})_i + \beta_2 (\text{Free}) + \beta_3 (\text{Partly Free}) + \beta_4 (\text{Free*logaid}) + \beta_5 \]
   \[ (\text{PartlyFree*logaid}) + \beta_6 (\text{Year DVs}) + \beta_7 (\text{Country DVs})_i + \epsilon_i \]
   \textit{First Stage}: \[ X_1 = \beta_0 + \beta_1 (\text{UNSC})_i + \beta_2 (\text{Free}) + \beta_3 (\text{Partly Free}) + \beta_4 (\text{Free*logaid}) + \]
   \[ \beta_5 (\text{PartlyFree*logaid}) + \beta_6 (\text{Year DVs}) + \beta_7 (\text{Country DVs})_i + \epsilon_i \]
   \textit{Second Stage}: \[ Y_i = \beta_0 + \beta_1 (\text{logaid_hat})_i + \beta_2 (\text{Free}) + \beta_3 (\text{Partly Free}) + \beta_4 (\text{Free*logaid}) \]
   \[ + \beta_5 (\text{PartlyFree*logaid}) + \beta_6 (\text{Year DVs}) + \beta_7 (\text{Country DVs})_i + \epsilon_i \]

I run each specification with outcome variables previously described: GDP per capita, HIV prevalence, children out of school, and internet access. With GDP per capita as the outcome

\textsuperscript{52} This regression will be discussed in the ‘limitations’ section.
variable, the expected sign of the logaid is positive. I employ an optimistic view of foreign aid’s ability to affect growth. That is to say that higher Chinese foreign aid amounts are associated with increases in GDP per capita, for example. I expect the logaid coefficient to be negative when using HIV prevalence as my Y variable since higher aid amounts should improve health outcomes in recipient countries, leading to lower levels of HIV prevalence. A similar logic is applied to the percentage of children out of school as an outcome variable; more aid leads to a lower percentage of children out of school. Thus, the logaid coefficient is also expected to be negative. With internet access, the expected sign of the logaid coefficient is positive, which means a higher level of aid is expected to increase access to the internet.

I lag GDP per capita, HIV prevalence, Children out of school by 2 years, and internet access by one year because the effects of foreign aid are unlikely to be contemporaneous. Lagging these development indicators allows the aid variable to show up in outcomes. The chosen lag times are somewhat arbitrary but based upon intuition.

The first two specifications aim to test H1, that “Chinese aid is associated with positive development and growth in African countries.” The latter two specifications build upon H1 to test H2 (Chinese aid to African democracies leads to better development outcomes, or is more effective, relative to aid to non-democracies, defined by a lower-scoring country on the Freedom Index). For this reason, I add dummy variables (DV) for regime type by including Free and Partly Free, omitting Not Free in Model 3 and 4. In addition to the regime type DVs, I create interaction terms between each regime type DV and logaid to capture how the effect of Chinese aid may depend on the recipient country's regime type. I expect the interaction term for ‘free’ to be positive when GDP and internet access are the Y variables but negative when HIV prevalence and children out of school are the Y variables.
I include year and country fixed effects in Models 1–4 to control for unobserved heterogeneity, including country- or year-specific characteristics, time-invariant factors, and omitted variables. In addition, I include netDAC—a variable that captures the net amount of Official Development Aid received from OECD countries—as a control since it is not a time-invariant variable.

EMPIRICAL RESULTS

GDP Per Capita (logged)

With GDP per capita (logged) as my outcome variable, the logaid coefficients are consistent with my predictions about the effect of Chinese aid on GDP per capita (shown in Table 2 below). In all three models, the coefficient on logaid is positive which means that Chinese foreign aid has a positive effect on GDP per capita (logged). However, only the logaid coefficient in model 1 is statistically significant at the 1% level. In model 1, the sign of the logaid coefficient is positive and the magnitude is reasonable, showing that for every 100% increase in Chinese foreign aid amounts (logged), there is a 1.4 percentage increase in GDP per capita (logged). For model 2 and 3, the magnitude of the coefficient is much smaller, with 0.4% overall and 0.5% increase of GDP per capita (logged) in ‘not free’ countries, respectively. As calculated from the interaction terms in model 3, for countries that are ‘free,’ a 100% increase in logaid increases GDP per capita by 0.12 percent. In ‘partly free’ countries, GDP per capita increases by 0.01 percent when logaid increases by 100%. These coefficients are relatively small in magnitude and not statistically significant. In addition, the coefficients on interaction terms logaid_free and logaid_partlyfree are both not significant. This signifies that logaid may not have a significantly different effect for free or partly free countries than the other countries. As evidence for H2, these results are highly inconclusive.
Across models 2 and 3 represented in Table 2, the $R^2_A$ is extremely high where ~99% of the variation in GDP per capita is explained by the X variables in the models. This is unsurprising given that country and year fixed effects are included in both models.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Model 1</th>
<th>(2) Model 2</th>
<th>(3) Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>logaid</td>
<td>0.0143***</td>
<td>0.0036</td>
<td>0.0045</td>
</tr>
<tr>
<td></td>
<td>(0.0037)</td>
<td>(0.0026)</td>
<td>(0.0036)</td>
</tr>
<tr>
<td>free</td>
<td>0.140</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.131)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>partlyfree</td>
<td>0.114</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.089)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>logaid_free</td>
<td>-0.0033</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0076)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>logaid_partlyfree</td>
<td>-0.0044</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0053)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>6.93***</td>
<td>6.89***</td>
<td>6.85***</td>
</tr>
<tr>
<td></td>
<td>(0.16)</td>
<td>(0.045)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Observations</td>
<td>518</td>
<td>518</td>
<td>518</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.993</td>
<td>0.994</td>
<td></td>
</tr>
<tr>
<td>Number of recipients</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country FE</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Year FE</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

**HIV Prevalence (%)**

With HIV Prevalence as the development indicator, Table 3 shows highly significant results on my variables of interest across three specifications. The relationship between logaid and HIV prevalence is as expected, more aid from China is associated with a reduction in HIV prevalence.
(as a % of population) in countries. Model 2, for example, shows that a 100% increase in \( \log\text{aid} \) decreases the percentage of HIV prevalence by 4.7 percentage points, providing some support for H1.

The coefficient on \( \log\text{aid} \) in Model 3 shows that a 1 unit increase in \( \log\text{aid} \) (100% increase in Chinese aid) reduces HIV prevalence by 7.5 percentage points for countries that are not partly free or free. In the same model, for ‘free’ countries, the expected value of HIV prevalence is 8.3 percentage points lower compared to a country that is ‘not free’, meaning a one-unit increase in \( \log\text{aid} \) leads to a 0.7 percentage point increase in HIV prevalence. For ‘partly free’ countries, this effect would be lower by 0.052 units compared to a country that is ‘not free.’ The calculated effect of a one unit increase in \( \log\text{aid} \) is, then, a 2.3 percentage point reduction in HIV prevalence in a ‘partly free’ country. Through hypothesis testing, I find both these effects to be not statistically significant, providing no conclusive results for or against H2. In the context of HIV prevalence as an outcome variable, aid seems to be most effective in countries that are ‘not free,’ less effective in ‘partly free’ countries, and not effective in ‘free’ countries. Notably, my interaction terms are not statistically significant at the 5% level, telling me that there is no significant difference in the effect of \( \log\text{aid} \) on HIV prevalence between countries with different regime types at conventional significance levels. This statistical significance only exists at the 10% level.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>Model 1 (1)</th>
<th>Model 2 (2)</th>
<th>Model 3 (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \log\text{aid} )</td>
<td>-0.0704***</td>
<td>-0.0470***</td>
<td>-0.0753***</td>
</tr>
<tr>
<td></td>
<td>(0.0154)</td>
<td>(0.0146)</td>
<td>(0.0196)</td>
</tr>
<tr>
<td>free</td>
<td>-1.216</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.743)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>partlyfree</td>
<td>-0.924*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>logaid_free</td>
<td>logaid_partlyfree</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.0826*</td>
<td>0.0522*</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>5.683***</td>
<td>5.965***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.965)</td>
<td>(0.258)</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>512</td>
<td>512</td>
<td></td>
</tr>
<tr>
<td>R-squared</td>
<td>0.993</td>
<td>0.994</td>
<td></td>
</tr>
<tr>
<td>Number of recipients</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country FE</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Year FE</td>
<td>YES</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

**Children Out of School (%)**

With the percentage of children out of school as the Y variable, the direction of the coefficients are, once again, in line with what I expected. In model 1, a 100% increase in logaid is associated with a reduction in the percentage of children out of school by 79 percentage points. Similarly, model 2 shows this same effect, controlling for year and recipient-country fixed effects, that a unit increase in logaid decreases the % of children out of school by 36.9 percentage points. While both coefficients are significant at the 1% and 10% level, respectively, the magnitude of these coefficients are quite large. In the context of a 100% increase in logaid, these results make more sense. Reframing these results in terms of a 1% increase in aid, I find that children out of school (measured as a percentage) decreases by 0.8 percent in model 1 and by 0.37 percent in model 2.
In model 3, the logaid coefficient shows that a 100% increase in logaid leads to a 36.1 percentage point decrease in the % of children out of school in countries that are ‘not free’. While this coefficient is in the desired and expected direction, its magnitude is disproportionately large. These large coefficients on logaid may signify issues with my models when having “children out of school” as my outcome variable. It is possible that there is omitted variable bias, multicollinearity, or model specification errors that affected the accuracy of my estimations.

All coefficients of interest are not significant in Model 3, including that of logaid. Nevertheless, I take account of the results in this specification. As previously described, there is a large, negative relationship between logaid in reducing the percent of children out of school in ‘not free’ countries. For ‘free’ countries, logaid reduces the % of children out of school by 76.1 percentage points—40 percentage points more than it does in ‘not free’ countries. For ‘partly free’ countries, logaid decreases the % of children out of school by 17 percentage points. Using hypothesis testing, I find that both these effects are not statistically significant. Although these effects are not statistically significant, the magnitude of the effect of logaid on children out of school in ‘free’ countries is much larger than in both ‘partly free’ and ‘not free’ countries. This pattern is in line with H2.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>(1) Model 1</th>
<th>(2) Model 2</th>
<th>(3) Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>logaid</td>
<td>-0.790***</td>
<td>-0.369*</td>
<td>-0.361</td>
</tr>
<tr>
<td></td>
<td>(0.231)</td>
<td>(0.220)</td>
<td>(0.305)</td>
</tr>
<tr>
<td>free</td>
<td></td>
<td></td>
<td>7.159</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(10.52)</td>
</tr>
<tr>
<td>partlyfree</td>
<td></td>
<td></td>
<td>-3.509</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(7.971)</td>
</tr>
<tr>
<td>logaid_free</td>
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<td></td>
<td>-0.400</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.610)</td>
</tr>
</tbody>
</table>
### Internet Access

With my last outcome variable of internet access (measured as a percentage of the population), the logaid coefficients across my three models show mixed results. In model 1, the coefficient on logaid is positive, as expected. A 100% increase in logaid leads to a 46.2 percentage point increase in internet access, or in other words, a 0.46 percentage point increase when logaid increases by 1%. This coefficient is both significant and of a reasonable magnitude. Logaid in model 2 and 3 have negative coefficients. Given the mixed results, it is unclear which direction of the logaid coefficient is the most compelling. This points to the need for better models when it comes to estimating the effect of logaid on internet access.

The logaid coefficient in model 3 is not statistically significant and shows that percent access to the internet decreases by 12.7 percentage points when logaid increases by 1 unit in countries that are ‘not free.’ In ‘free’ countries, a one unit increase in logaid would result in a 21 percentage point increase in internet access. On the contrary, in ‘partly free’ countries, the effect is a 38 percentage point decrease in the percentage of the population with access to the internet.
Neither of these coefficients are statistically significant after hypothesis testing. The pattern in these results, however, partially support my hypothesis (H2) as logaid is seemingly most effective in ‘free’ countries—at least in improving internet access—relative to ‘partly free’ or ‘not free’ regimes.

As for the interaction terms themselves, neither logaid_partlyfree or logaid_free are significant, telling me that the effect of logaid on internet access is not significantly different for ‘free’ or ‘partly free’ countries than ‘not free’ countries.

<table>
<thead>
<tr>
<th>Table 5. Regression Results from Specifications 1–3 (Internet Access)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VARIABLES</td>
</tr>
<tr>
<td>logaid</td>
</tr>
<tr>
<td>free</td>
</tr>
<tr>
<td>partlyfree</td>
</tr>
<tr>
<td>logaid_free</td>
</tr>
<tr>
<td>logaid_partlyfree</td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>Observations</td>
</tr>
<tr>
<td>R-squared</td>
</tr>
<tr>
<td>Number of recipientID</td>
</tr>
<tr>
<td>Country FE</td>
</tr>
<tr>
<td>Year FE</td>
</tr>
</tbody>
</table>

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
LIMITATIONS

The lack of reliable and verifiable data on Chinese foreign aid as well as certain development outcomes were significant limitations of this regression analysis. First, AidData’s methodology of collecting data on Chinese foreign aid through TUFF (Tracking of Underreported Financial Flows) has been called into question by many. However, it is the sole comprehensive attempt at tracing Chinese financial flows, including foreign aid. This means that there may be measurement errors in the dataset, of which my analysis is heavily dependent upon. Second, the data availability for the chosen development outcomes was also limited. Though the World Bank has a large number of variables available, there are many data points missing for indicators such as “Length of Highways” or “School Enrollment,” for example. This factor informed and limited which variables I included for each area of development I was interested in looking at. Given China’s intensity in infrastructure-building as an approach to development, I had hoped to create an infrastructure index that includes variables of highway length, number of cell towers, and access to the internet as a more holistic measure. However, there was no complete data available for my region of interest.

In addition to my three specifications for four different development outcomes, I attempted to use a 2-stage-least-squares (2SLS) as a fourth model to better estimate my results. The instrument I chose was a dummy variable of whether or not an African recipient country was on the UN Security Council in a given year. I believed that the UNSC dummy would satisfy all conditions necessary to qualify as an instrument. First, whether or not a recipient country is on the UNSC in a given year affects how much Chinese aid is given to said country. This logic is backed up by theories on vote-buying or using aid for policy concessions, which is in line with China’s aid behavior. Two, whether or not a country was on the UNSC in a given year does not have a direct
influence on any of the Y variables (GDP per capita, HIV prevalence, Children out of school, and internet access). As shown in Table 6, however, the coefficients on logaid, as well as all other Xs, across all four specifications within this model are not significant and did not improve upon my previous models. The $R^2_A$ either remained unchanged from previous models or decreased. This led me to believe that UNSC was an imperfect instrument in my model. With hindsight, I may have explored other, more compelling instruments.

Nevertheless, my current models did provide me with some highly statistically significant and economically meaningful results.

**CONCLUSION**

Through this study, I found that Chinese foreign aid to African countries has a, mostly, positive effect in terms of improving development outcomes such as GDP per capita and internet access, and negative effect on HIV prevalence and percent of children out of school. These results are generally in line with my first hypothesis (H1) that China’s aid does have a positive impact on growth and development.

Across all four outcome variables, Model 3 provided inconclusive or conflicting results for my second hypothesis (H2) that Chinese aid is more effective in improving development outcomes in countries that are more ‘free’ relative to those that are less ‘free.’ It is notable that most of these conflicting results are not statistically significant. While they may not be the best estimations of the effect I attempt to parse, they implicate that the relationship I am interested in may be more complicated and require further examination.
### APPENDIX

#### Table 6. Regression Results from Specification 4 (2SLS)

<table>
<thead>
<tr>
<th>VARIABLES</th>
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<th>(4)</th>
</tr>
</thead>
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<td>amountconstantusd2017</td>
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<td>-0</td>
<td>7.90e-09</td>
<td>5.52e-10</td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(2.05e-10)</td>
<td>(1.18e-08)</td>
<td>(1.54e-09)</td>
</tr>
<tr>
<td>free</td>
<td>0.136</td>
<td>-0.00686</td>
<td>62.72</td>
<td>3.724</td>
</tr>
<tr>
<td></td>
<td>(0.195)</td>
<td>(1.451)</td>
<td>(76.76)</td>
<td>(11.97)</td>
</tr>
<tr>
<td>partlyfree</td>
<td>0.0628</td>
<td>-0.844</td>
<td>23.84</td>
<td>4.205</td>
</tr>
<tr>
<td></td>
<td>(0.162)</td>
<td>(1.458)</td>
<td>(38.81)</td>
<td>(9.988)</td>
</tr>
<tr>
<td>logaid_free</td>
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<td>-0.0210</td>
<td>-3.530</td>
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</tr>
<tr>
<td></td>
<td>(0.0113)</td>
<td>(0.0841)</td>
<td>(4.293)</td>
<td>(0.693)</td>
</tr>
<tr>
<td>logaid_partlyfree</td>
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</tr>
<tr>
<td></td>
<td>(0.00935)</td>
<td>(0.0846)</td>
<td>(2.189)</td>
<td>(0.578)</td>
</tr>
<tr>
<td>netDAC</td>
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<td>-8.93e-10</td>
<td>3.52e-10</td>
</tr>
<tr>
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<td>(7.43e-11)</td>
<td>(1.21e-09)</td>
<td>(6.86e-10)</td>
</tr>
<tr>
<td>Constant</td>
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<td>0.786***</td>
<td>13.03**</td>
<td>3.758</td>
</tr>
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<td></td>
<td>(0.0426)</td>
<td>(0.259)</td>
<td>(5.813)</td>
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</tr>
<tr>
<td>Observations</td>
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<td>540</td>
<td>351</td>
<td>595</td>
</tr>
<tr>
<td>R-squared</td>
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<td>0.992</td>
<td>0.628</td>
<td>0.791</td>
</tr>
<tr>
<td>Country FE</td>
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<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Year FE</td>
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<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>

Standard errors in parentheses  
*** p<0.01, ** p<0.05, * p<0.1
CHAPTER 05

THE CASES OF ZIMBABWE, ANGOLA, & GHANA

INTRODUCTION

The purpose of this chapter is to delve into three countries as case studies for exploring aid effectiveness across regime types. In order to do so, I have identified three countries that are all receiving a high amount of aid from China. Two of them—Zimbabwe and Angola—are categorized as “Not Free,” but both exhibit variations in the percent changes in certain development outcomes. The third case study, Ghana, is categorized as “Free” by the Freedom House index and will serve as a direct test case against the former two by highlighting the potential role of a more “free” regime in affecting Chinese aid effectiveness.

In this chapter, I first briefly set up and justify my case selection. Then, I will explore Zimbabwe, Angola, and Ghana as my three case studies one by one. Each case study will include the following sections: identification of case study, recipient country background information, overview of relations with China, and analysis. I primarily employ existing literature, data, and primary sources such as Chinese White Papers. After studying each recipient country, I conduct a case comparison to test my hypotheses and draw conclusions. I find that the role of agency in China’s relationship with any recipient is tantamount to aid effectiveness. Agency and efficacy interact with factors such as recipient-countries’ natural resource availability, alignment of strategic interests for both sides, as well as the strength and quality of domestic institutions and leadership.
CASE SELECTION

Here, I briefly reiterate the case selection process and criteria to justify my case choices. Using my dataset from Chapter 4, I create descriptive statistics to show the correlation between aid amounts and different development outcomes. I narrow down my case selection by only looking at the countries that I categorize as “high aid” recipients, which refers to countries that receive the top 33 percentile of Chinese foreign aid amounts. The intuition behind this choice is supported by my regression analysis where I find that an increase in aid leads to improvements across all four development outcomes. Within the high aid category, I intended to select two “not free” and one “free country.”

Zimbabwe emerged as a prime case for further examination as a “not free” country that receives a large amount of Chinese foreign aid but exhibited correlations with poor growth as measured by my four development indicators. Not only that, Zimbabwe is one of few countries whose HIV prevalence and the percentage of children out of school increased as opposed to decreased over time. Along with Zimbabwe’s reputation as controversial on the international stage, the country serves as a good case for studying how China may be strategically positioned as a partner amidst isolation from the West.

The choice of Angola is primarily based upon literature. The interplay of natural resources as leverage and a source of agency in Angola’s engagement with China provides apt contrast with Zimbabwe’s relationship with China.

I selected Ghana as my “free” case study as it has a vastly different government system. Additionally, the country discovered a key natural resource that shifted China’s engagement with Ghana, complicating the picture of how recipient countries may mediate Chinese aid effectiveness.
CASE 1: ZIMBABWE

IDENTIFICATION

Zimbabwe is categorized as a high-aid recipient through my quantitative analysis. As a high-level Chinese aid recipient, its development indicators displayed some but unpromising percentage change in GDP per capita, education expenditure, HIV prevalence, students out of school (primary age) and access to the internet.

Beyond identification through data, Zimbabwe serves as an informative case for studying Chinese aid and relations for a few reasons. China’s non-interference stance has ensured that even “outcast” regimes in Africa that have been shunned by Western financiers can access development funding without the ‘donor’ using human rights, democracy, and rule of law issues as conditions. As such, Zimbabwe’s controversial government falls directly into this relationship, providing an illustrative case for how recipient-country agency and an authoritarian regime type interact in face of Chinese assistance.

BACKGROUND

Located in Southern Africa, land-locked Zimbabwe is classified as a low-income country. It has a population of around 15.99 million and a GDP per capita of US$1773.9 in 2021, ranked 13th in Africa. Most economic indicators are very poor due to the political and economic turmoil that have affected the country for more than two decades. As a low-income country, Zimbabwe has received significant development assistance from international donors. However, following the economic and political crises from land reform efforts and corruption, bilateral and multilateral official development assistance declined drastically. At around this time, Chinese development

assistance increased as Zimbabwe turned to China to help close the funding gap created by Western sanctions and isolation.

Political Landscape

The Republic of Zimbabwe, a former British colony, was previously known as (1911–64) Southern Rhodesia, (1964–79) Rhodesia, or (1979–80) Zimbabwe Rhodesia. It is located in southern Africa, bordering South Africa, Botswana, Zambia, and Mozambique. Zimbabwe achieved majority rule and internationally recognized independence in April 1980. This followed a long period of colonial rule and a 15-year period of white-dominated minority rule, instituted after the minority regime’s so-called Unilateral Declaration of Independence (UDI) in 1965.54

Although constitutionally a republic, Zimbabwe has been ruled by an authoritarian government that was not freely elected by the people. President Robert Mugabe and his Zimbabwe African National Union-Patriotic Front (ZANU-PF) have dictated the trajectory of the country since independence.

Zimbabwe under Mugabe

Zimbabwe’s post-independence government under Mugabe as Prime Minister initially sought to build good race relations with white Zimbabweans, the minority that dominated Rhodesia’s governance. For one, ZANU–PF's absolute parliamentary majority allowed them to rule alone, but Mugabe created a government of national unity by inviting members of rival parties to join his cabinet. This all changed in late 1987, when Zimbabwe's parliament amended the constitution.55

On 30 December, Zimbabwe declared Mugabe to be executive president—a new position that combined the roles of head of state, head of government, and commander-in-chief of the armed forces. This position gave him the power to dissolve parliament, declare martial law, and run for an unlimited number of terms, a drastic shift towards a “not-so-free” state. Mugabe now had "a virtual stranglehold on government machinery and unlimited opportunities to exercise patronage." Constitutional amendments additionally removed twenty parliamentary seats reserved for white representatives, leaving parliament less relevant. His political power became unchecked and only a small circle of elites benefited from it.

Notable developments during Mugabe’s time in power include his controversial 1998 decision to intervene in the Democratic Republic of the Congo’s civil war and fast-tracking of the land redistribution program, both of which cost the Zimbabwean economy and people’s livelihoods severely.

Eventually, military officers and leaders in the ruling party ousted Mugabe in 2017 on the basis that he allowed his second wife to usurp constitutional power. The system of repressive governance that protects a small circle of elites ousted its foremost founder persists today. Opponents of the current ruling party are harassed, tortured, and sometimes killed.

**The Economy**

Zimbabwe’s economy consists of four main sectors: mining, manufacturing, agriculture and tourism. Of the four sectors, mining, tourism and agriculture (mostly tobacco and beef exports) traditionally attract the most foreign currency.

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In 1990, Zimbabwe implemented an Extended Structural Adjustment Program (ESAP) with the International Monetary Fund (IMF) and World Bank (WB). As part of ESAP, Zimbabwe was to undergo a five-year phased program towards a freer market with central elements of “budget deficit reduction, external trade liberalization, and domestic deregulation.” Unsurprisingly, ESAP served to impoverish the post-independence national economy and decreased the country’s ability to develop a strong diversified economy.

In addition to the ESAP that ignited political and economic crises, the land distribution program enacted by Mugabe further entrenched the many challenges Zimbabwe faces today. Zimbabwe is considered a resource-rich country with its array of minerals and commercially viable land. Notably, Agriculture generates about 17 percent of the country’s GDP and more than half of the total labor force is engaged directly in agricultural activities.

The importance of agriculture is crucial in the context of Zimbabwe's infamous land redistribution act. This act sought to collect white-owned, commercial farms obtained through colonization and return the land to the black majority. The new occupants mainly consisted of indigenous citizens and several prominent members of the ruling ZANU-PF administration, who were inexperienced or uninterested in farming. This meant the failure of retaining the labor-intensive, efficient management of previous landowners and generating enough food.

production. The lack of agricultural expertise triggered severe export losses and negatively affected market confidence, especially given the reliance of Zimbabwe on this sector. Responding to this scandal, in 1994 the UK government—which had supplied 44 million euros for land redistribution—halted its payments. After the eventual recovery of idle land by rural communities practicing subsistence farming, production of staple foodstuffs, such as maize, has recovered accordingly. Notably, China is the most significant trading partner of Zimbabwe for tobacco. In 2004, trade between the two countries was boosted by the signing of an economic and technical agreement whose main objective was to help Zimbabwe boost the production of one of its key exports: tobacco. The following section will highlight the significance of China’s relationship with Zimbabwe and its implications.

As a result of the land reforms, violations of human and political rights, as well as Zimbabwe’s inability to repay previous loans, Western aid and loans to the country were withheld in protest. These years were marked by rampant inflation and record-high rates of unemployment that complicated the worsening economic situation.

SINO–ZIMBABWE RELATIONS: “ALL WEATHER FRIENDS”?

The inception of China’s relations with what is now Zimbabwe dates back to the 1960s, around when ZANU was formed in 1963. China supplied ZANU members with guerilla training as well as political training in the struggle for colonial independence from the United Kingdom. China’s support was in the context of Lin Biao’s thesis (1965) on the People’s War which viewed revolutionary prospects as stemming from the capture of the literal and metaphorical ‘countryside’

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These ideas were to have an important effect on the Zimbabwe African National Liberation Army’s (ZANLA), ZANU’s military wing, tactics. Along this line, ZANLA’s military tactics steadily developed along the Maoist model of mass mobilization, giving ZANU a firm support base in the Rhodesian countryside. This ideological adoption from China’s Communist revolution created a strong foundation for Chinese–Zimbabwean relations. Hence, Mugabe noted soon after independence that ‘... [Zimbabwe] will continue to maintain and deepen our alliances with those who have been our truest friends.’66 This bilateral diplomatic tie was also cemented when both the first post-independent foreign minister, Simon Muzenda, and Mugabe visited Beijing in 1980 and 1981, respectively, to express gratitude to China’s support during the struggle for independence.67

China’s support for the split of Rhodesia’s, then, nationalist government into ZANU and ZAPU largely coincided with the Sino–Soviet split and Beijing’s increasingly hostile attitude towards the Soviet Union.68 Initial support of ZANU by China was, thus, a vehicle for anti-Sovietist pursuits.

From independence until today, Sino-Zimbabwe relations have only strengthened. Out of this initial bilateral relationship, Schwersensky (2007) argues that Beijing harvested the political capital from its investments of the 1960s and early 1970s including the invitation of constructing

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65 Lin Biao, “Lin Biao: Long Live the Victory of People’s War!”
hospitals and the National Sports Stadium in the 1980s. In the 1990s and entering 2000s, China’s role in Zimbabwe grew significantly with the aforementioned isolation and sanctions by the West. In face of hostility by the US, UK, and EU, Mugabe firmly cushioned the blow by the West with its newly ignited partnerships. China and Zimbabwe continued to support each other despite strong criticism regarding their respective deficiencies in democratic practices, human and property rights, and disputed electoral processes from the international community, especially the Western governments. This led Mugabe to name China as Zimbabwe’s “all-weather friend.”

Zimbabwe ultimately turned to the East for partners and formalized these allyships by adopting the ‘Look East’ policy (LEP) around 2003. The LEP consisted of fostering stronger relations with Zimbabwe’s Asian partners, namely China. This policy was both a response to secure economic necessities in the absence of Western donor support and a move to counter the hostility from Western donors by resorting to alternative relationships. The LEP marked a notable rise in the role of China in Zimbabwe’s development as diplomatic visits became more frequent, aid packages increased, and more Chinese projects were directed to Zimbabwe.

What Does China Mean to Zimbabwe?

To Zimbabwe, China, in many ways, is a lifeline. There are two main dynamics at play: China as a strategic ally and an exploiter of a “basket-case” country. To explore the former, China’s position as a reliable partner for Zimbabwe on both the domestic and global level has been repeatedly proven. Domestically, financial assistance has increased through the years. The average

71 Ibid.
foreign aid amount from China increased by 82.8% between the few years before LEP-adoption (2000–2003) and post-LEP year (2004–2017). The number of development projects have also grown in staggering numbers.

On the international stage, China has utilized its veto power on the United Nations Security Council (UNSC) to side with the Zimbabwean government. In 2008, China and Russia vetoed a U.S.-drafted resolution in the UNSC that would impose sanctions on Zimbabwe over the country's presidential run-off election that year. China argued that sanctions against Zimbabwe’s government would “complicate,” rather than ease, conflict in the troubled African country.73

The latter dynamic of China as an exploiter of Zimbabwe as well as its industries and resources is a salient one. Ever since Zimbabwe adopted LEP, there have been, arguably, insignificant improvements in the country’s social and economic development. This view is supported by my previous data analysis, where Zimbabwe is shown to have weak or even negative correlations between aid amounts and percent changes in GDP per capita, HIV prevalence, and percent of children out of school. Many scholars and politicians alike criticize China’s exploitative practices in Zimbabwe. Although China is the biggest tobacco importer of Zimbabwe's production, there is a strong imbalance in trade. Stanislaus (2015) states that in 2010, Zimbabwe’s exports to and imports from China were valued at US $237 million and US $557 million, respectively, giving Zimbabwe a trade deficit of US $320 million. China’s growing demand for natural resources including minerals and all agricultural products, especially tobacco provides evidence that China significantly benefits from this bilateral trade relation. Additionally, Chinese corporations have flooded its industries, benefiting from lower taxation and access to precious resources. The Zimbabwe government has allowed Chinese companies to operate in a tax-free environment in

mining, agriculture, and business sectors—a development that has and is causing the country to lose millions of dollars in form of revenue. The added layer of opacity in the deal-making process makes it difficult for other key stakeholders and the public to hold the Zimbabwe government accountable in the process.

It is hard to adjudicate the balance of the two dynamics described and whether China provides more value than it inflicts harm. Without China, Zimbabwe’s already weak economy likely would have suffered tremendously under Western withdrawal of financial assistance and engagement without any cushioning. However, scholars like Chun (2014) argue that China has played a critical role in Zimbabwe’s political crisis through its veto power in the UNSC, in addition to its exploitative socio-economic development support and non-interference policy in the Zimbabwe government’s problematic policies and practices. As will be shown later, there is an element of dependence by Zimbabwe on China that tilts the scale and allows for market and resource exploitation to take place. The implied cross-conditionality—whereby funding from China allows China or Chinese enterprises to have leverage over the recipient nation—appears to be relevant in this case.

**What Does Zimbabwe Mean to China?**

The value of Zimbabwe to China will be analyzed on two levels: in rhetoric and in practice. In the words of a Chinese government news article, “on intergovernmental cooperation, China has helped Zimbabwe to enhance infrastructure construction and provided assistance in areas that meet urgent need[s] of Zimbabwe’s development and its people by grants, concessional loans, and

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policy support.” There are multiple white papers on Zimbabwe establishing this strong friendship between the two countries as “forever.” 76

In practice, Zimbabwe’s value to China has varied over the years. During the 1980s to early 1990s, China needed Zimbabwe and other African countries more than Zimbabwe needed Chinese political support specifically. This support was necessary in the new PRC’s efforts to establish itself on the international stage in the form of recognizing China over Taiwan. In addition, Zimbabwe refrained from denouncing the Chinese government during the Tiananmen Square Massacre of 1989, which was met with widespread global outrage. As Chivanga and Moyai (2020) describe, Zimbabwe chose not to interfere in the domestic affairs of China and, instead, maintained that “China needed to be left to overcome its internal problems without interference from countries which had an inadequate understanding of the unique nature of the problems.” 77 This mutual commitment to non-interference with both countries’ domestic human rights violations or political issues is a relatively persistent trend in Sino-Zimbabwe relations. But a key difference highlights itself; later, in face of Zimbabwe’s international isolation and China’s rapid development; this relationship reverted to a more one-sided dependence that China benefits from. African Development Group states that China is reaping significant benefits from this relationship, through “access to raw materials and expanded markets for imported finished products and semi-finished products into the local market.” 78

Zimbabwe’s elite officials have continued to sign opaque business and investment contracts with Chinese enterprises. 79 Chinese companies are being awarded large contracts—especially in

76 “China remains the true friend of Zimbabwe on its development path forever,” 2022, http://zw.china-embassy.gov.cn/eng/xwdt/202208/t20220823_10749341.htm
77 Chivanga, Shylet Yvonne, and Priscilla B. Monyai. “Scramble for Mutual Partnerships? The Case of China and Zimbabwe.”
79 Shinn, David H., 'China–Africa Ties in Historical Context', in Arkebe Oqubay, and Justin Yifu Lin
infrastructural development such as the construction of roads, dams, power stations, railways, and government buildings—at the expense of domestic ones. Thus, China’s deep engagement has dire consequences, or even threats, to the growth of Zimbabwe’s own companies and industries. For China, however, these contracts are in part solutions for the country’s own strategic needs at home. The Chinese government has parlayed aid and funding for development projects into securing licenses for Chinese companies to extract diamonds and other natural resources that are in high demand at home.80

ANALYSIS

Taking into account the contrast between Zimbabwe’s dependence on China amidst international isolation and China’s ability for extraction in the African nation, there emerges the interplay of leverage on the part of China and agency on the part of Zimbabwe. By leverage, I refer to “the power that one side of a negotiation has to influence the other side to move closer to their negotiating position.”81 Thus, a party’s leverage is based on its ability to award benefits or impose costs on the other side. China’s leverage over Zimbabwe goes hand in hand with the position that Zimbabwe is in. The Western sanctions that removed most other sources of aid for this low-income country provided its Chinese partners with more of an ability to both award benefits or impose costs on Zimbabwe. China is able to then maximize its gains from Zimbabwe’s industries by helping Chinese companies win big contracts and extract resources.

Agency is the property or capacity of actors to “make things happen.” Here, I treat states as agents that make decisions about their national interests. Under this definition, Zimbabwean

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agency is significantly reduced by the loss of alternative foreign partners. Especially given Zimbabwe’s domestic turbulence, China’s non-interference in domestic politics feeds into maintaining the country’s political and economic status quo. In the previous section, it is evident that there is also a lack of incentive-alignment by Zimbabwe government actors to mediate sino-presence in a way that maximizes its benefit for society. An example of this is highlighted by Chivanga and Moyoi 2020. China enabled Zimbabwe to subsidize farmers with fuel to increase agricultural production. Although the subsidies could have produced favorable results, it emerged in the findings that some of the officials who were tasked with implementing the programme abused their positions by selling the fuel for personal profit instead of distributing it to the farmers. Consequently, the aid from China enabled corrupt officials to enrich themselves while attempts to revive agricultural production were stalled and poverty deepened. While this example is not illustrative of all cases, the role of corruption and lack of government incentive to distribute benefits to society is still salient.

A key criticism of China’s engagement with Zimbabwe is China’s non-interference principle. It is worth noting that China has made statements in the past urging the Zimbabwean government to improve its human rights and pursue reforms to promote social stability and economic development. Even so, China has not withdrawn aid due to human rights concerns which emboldens Zimbabwe, against Western efforts to improve the African nation’s practices. The role that China plays in providing Zimbabwe with a financial and diplomatic safety net gives Beijing significant leverage.

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82 Chivanga, Shylet Yvonne, and Priscilla B. Monyai. “Scramble for Mutual Partnerships? The Case of China and Zimbabwe.”
CASE 2: ANGOLA

IDENTIFICATION

Angola is in the high-aid recipient category in my quantitative analysis. As a high-level Chinese aid recipient, its development indicators displayed one of the highest percentage changes in GDP per capita, education expenditure, HIV prevalence, students out of school (primary age) and access to the internet. Relative to Zimbabwe, the correlation between aid and improvements in development outcomes appeared much more promising.

Angola is both Africa's top oil exporter to China and recipient of the highest amount of Chinese loans, representing a critical case when it comes to studying Sino–African relations. The existence of Chinese aid in Angola is critically tied to, as Shimomura (20) terms, a “quaternity” of aid whereby aid is paired with investment, trade, and presence of Chinese workers and companies. This is true for most cases of Chinese aid engagement as it is in line with the belief that growth cannot occur purely with aid.83 Many scholars have labeled Sino–Angolan relations as a “marriage of convenience” as it was forged for pragmatic reasons at a moment of mutual need in the early 2000s. Commonly cited as a model for “win-win” cooperation or the ‘Angolan model’ of Chinese engagement makes Angola a prime case study for exploring Chinese aid effectiveness. Notably, several factors have altered the environment in which China first engaged with Angola, notably a decline in oil prices and its 2017 political transition.

BACKGROUND

Officially the Republic of Angola, the Southern African country is the seventh largest country in Africa, with the second-largest Lusophone (Portuguese-speaking) population behind Brazil. It was formally colonized by the Portuguese in the late 16th century until 1975. During this period, Portugal used Angola primarily as a source of extracting natural resources, including diamonds, oil, and rubber.\textsuperscript{84} The country is often referred to as a prime example of the “resource curse,” where its rich natural resources are not utilized to the benefit of its people and is instead exploited to worsen economic conditions.

Political Landscape

Portuguese colonization of Angola ended in 1975 with several Angolan nationalist groups emerging in the 1960s to call for independence. Following independence in 1975, Angola experienced a civil war between the ruling People's Movement for the Liberation of Angola (MPLA) government, the insurgent National Union for the Total Independence of Angola rebels, and the militant organization National Liberation Front of Angola—a war that lasted until 2002. Like many post-colonial states, the transition into stable political power is often a struggle, especially with three different liberation movements.

Following the end of the war in 2002, Angola emerged as a relatively stable unitary, presidential constitutional republic. The MPLA government has governed since independence. However, since the end of the civil war, Angola has faced a range of challenges, including high levels of corruption, poverty, and limited access to healthcare and education. Current Angolan president João Lourenço succeeded José Eduardo dos Santos, who was the President of Angola for 38 years.

Economy

The legacy of Portuguese colonization of Angola contributes to its modern-day economic ills. The expropriation of land from local farmers, lack of market development, and the reliance on trade with Portugal during that time meant that Angola was unable to promote economic growth upon independence.

Today, the Angolan economy is heavily dependent on its abundance of natural resources, namely oil. In 2017, the oil sector accounted for over 95 percent of exports by value and 64 percent of government tax revenue.85 This reliance on oil means a high degree of volatility due to fluctuations in oil prices; the end of the oil boom in 2005 led Angola into a period of economic contraction. Despite extensive oil and gas resources, diamonds, and rich agricultural land, Angola remains poor with a third of its population relying on subsistence farming.

Corruption plays an important role in hindering the potential of the economy. For one, ex-President Santos’ daughter, Isabel dos Santos became the richest woman in Africa by taking advantage of access to diamonds and preferential deals, setting up a shell empire that laundered $1.1 billion from the state.86

SINO–ANGOLAN RELATIONS: “A MARRIAGE OF CONVENIENCE?”

The inception of Angola’s relationship with China began during colonial times, amidst the African country’s independence movement against Portugal. During this time, China provided assistance to Angola's nationalist movements. China initially backed the MPLA, but later began to

support FNLA and UNITA as well. As China's relationship with the Soviet Union soured, the MPLA's relationship with the Soviet Union strengthened and China pulled its support.

China’s diplomatic relationship with Angola began formally in 1983 after years of struggling to normalize relations post-Sino-Soviet split and due to China’s support of MPLA’s opponents in the 1960s. These ties were cemented when Chinese Prime Minister Wen Jiabao visited Angola in June 2006, offering a US$9 billion loan for infrastructure improvements in return for petroleum. The PRC has invested heavily in Angola since the end of the civil war in 2002.

Around 2002, the MPLA began engaging with China with the goal of securing finance for post-civil war reconstruction. Eighty-five percent of road and railway infrastructure had been destroyed. The agriculture sector was defunct, and almost fifty percent of the country’s population fled to live in slums around Luanda. For Angola, few financing sources were available or provided satisfactory terms. This led the MPLA to place great importance in its negotiations with China. The Angolan Ministry of Finance served an important role in managing the infrastructure projects that were to rebuild vital areas of Angola. Back then, Angola was not in a strategic position to negotiate as it was not yet a top priority for Chinese commercial relations, giving China an upperhand.

The strategic nature of oil was key to Angola’s repositioning in the eyes of Beijing. In terms of today’s Luanda–Beijing relationship, China’s prominent economic and political influence in Angola is undoubtedly shaped by Angola's status as one of Africa's largest oil producers. In terms of economic ties, China has become Angola's largest trading partner and one of its largest

sources of foreign investment. A large amount of financial assistance has been provided for Angola’s infrastructure development, agriculture, and healthcare sectors. It is important to note how China served as an alternate source of financing from the Western-led IMF. In the early 2000s, Angola initially turned to the IMF for assistance but was unwilling to accept the conditionalities placed on the aid money. Instead, the Angolan government announced “it had received a US$ 2 billion loan from China Export Import Bank to finance the African country’s reconstruction efforts, to be repaid in oil.” This development sparked international outrage as it was seen as an aggressive move by China to acquire African oil supplies, while allowing the Angolan government to escape the strings attached to IMF financing. Now touted as the “Angolan model,” the relationship between the two countries is emblematic of China’s engagement with Africa in exchanging “infrastructure for resources.”

The interactive process of Angola’s engagements with China proceeds as follows:

1. The Angolan government signs a framework agreement with the Chinese government, represented by the Angolan Ministry of Finance and the Chinese Ministry of Commerce.
2. The Angolan Ministry of Finance signs a loan agreement with the China Export-Import (ExIm) Bank.
3. Sonangol, Angola’s oil and gas parastatal, sells oil offtake to China at the international spot price on the day of shipment. The monies from the sales are deposited into an account in the Angolan government’s name together with China ExIm Bank.
4. The joint commission (Grupo do Trabalho Conjunto) formed by the Gabinete de Apoio Técnico (GAT) and China ExIm Bank agree on a set of projects that are then put up for tender for a pre-approved list of Chinese companies.
5. The Chinese companies complete the projects and present invoices for their work to the Angolan Ministry of Finance.
6. These invoices are paid by China ExIm Bank directly to the Chinese companies, drawn down from the Angolan government’s account with China ExIm Bank.

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This process reveals a degree of transparency that is often unexpected for an authoritarian government. In this interaction, the key players on the Angola side—specifically the Ministry of Finance—appear to play a strong role in facilitating the financing from China.

Beyond Chinese financing, Angola diverges from many other oil-states by diversifying its partners. Angola encourages Western business in the country both out of necessity to maintain its patronage network but also to serve as a countervailing force against dominating Chinese influence. The emergence of multiple alternative financing sources shifts the power balance considerably in Angola’s favor.

**ANALYSIS**

Unlike Zimbabwe, Angola appears to exercise a larger degree of agency in its engagement with China. Corkin (2013) argues that Angola’s steady flow of oil receipts helped Futungo—the Santos-led government—‘uncover its agency’ and “enabled [the country] to project their interests in the global arena.”\(^92\) Luanda’s decision to turn down IMF structural adjustment assistance that demanded greater transparency and reform in its management of national finances is a demonstration of this agency.\(^93\) Luanda’s proactive stance in engaging with China has also been shown through the relative size of the Chinese government’s influence on Angola’s economy and the credit lines it extended. In its relationship with China, scholars like Brown and Harman (2013) point to how the African nation has continuously sought to balance the leverage that China may have over the Angolan economy.\(^94\) This is paired with the hope that the abundance of Chinese

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92 Lucy Corkin, 2013.


credit lines will attract financing from other countries. There is evidence that Angolan elites are not mere passive ‘term-takers’ who allow the Chinese government and firms to limitlessly extract without its own gains. Instead, Angolans have outright denied Chinese access to certain resources and have “skilfully managed relations with China on their own terms, using a plethora of institutional fixes, such as the Gabinete de Reconstrução Nacional (GRN)” which mediates Chinese investments. In addition, the government has tactfully made concerted efforts to repair and improve relations with numerous other creditor-countries or institutions to ensure access to a diversified portfolio of lenders, mitigating aid dependence on China.

While agency and leverage on the part of Angola is present in this Sino-African relationship, Angola’s development progress is still weak. Pádraig Carmody and Peter Kragelund argue that Angola elites have demonstrated agency “only ‘at the margins’ of the international political economy [as the country remains] governed through strategies of extraversion, mobilizing resources from external actors to strengthen their domestic power base and intensify exploitation.” This raises the question of whether agency and leverage on the part of the recipient country are enough to generate positive aid outcomes. The regime still lacks the capacity or motivation to effect real structural changes beyond controlling the negotiating process in foreign relations. Still plagued with corruption, the Angolan government’s use of Chinese foreign aid may not be as effective as it could be. These factors of political will for development, effective channeling of funds, and corruption are closely associated with Angola’s regime.

In addition, it is important to highlight China’s power over Angola. Even with the balance that Angola may be able to strike with its use of oil as leverage, Luanda holds the highest amount

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95 Mohan G. Lampert B, “Negotiating China: Reinserting African agency into China–Africa relations.”
96 Pádraig Carmody and Peter Kragelund.
of debt to China, meaning that oil price fluctuations will strongly affect the economy’s well-being. In other words, declines in oil prices in the market affects Angola’s agency vis a vis China.

CASE 3: GHANA

IDENTIFICATION

Ghana is a high-aid recipient country, as identified through my quantitative analysis. The correlation between percent change in development outcomes and Chinese aid shows promising positive relationships.

The West African country is one of few countries that are considered “Free” according to the Freedom House Index (2017). This makes it a prime case for comparison with the two previous cases of Zimbabwe and Angola, both of which are “Not Free.” Ghana’s recent discovery of oil has heightened relations with China, who already engages with the recipient country significantly. This case study can shed light on Ghana’s shifting relations with China, and the changes in leverage and agency after the discovery of oil, if any.

BACKGROUND

The Republic of Ghana is located in West Africa and is the second most populous country in that region. Over a century of colonization, Ghana once encompassed four separate British colonial territories, including Gold Coast, Ashanti, the Northern Territories, and British Togoland. During colonial times, in the 1950s, the Gold Coast was a country that had the highest level of education in the entire Sub-Saharan Africa, supplying many civil servants to neighboring
countries. Kwame Nkrumah led the country to independence, despite imprisonment for inciting strikes under British rule. The Gold Coast was the first colony to achieve sovereignty, and was, subsequently, influential in other decolonization efforts in other African nations.

**Political Landscape**

Ghana became a republic following the Ghanaian constitutional referendum and presidential election that installed Nkrumah as president in 1957. While he was a visionary and hero for helping Ghana achieve independence, he became an authoritarian leader who repressed political opposition and, subsequently, passed a constitutional amendment that made Ghana a one-party state, with Nkrumah as president for life of both the nation and its party.

This development soon led to the overthrow of Nkrumah and his government in a coup named “Operation Cold Chop.” The Ghana Armed Forces led this coup, which occurred while Nkrumah was abroad with Zhou Enlai in China. Nkrumah’s overthrow in 1966 was followed by four military takeovers in 1972, 1978, 1979 and 1981, of which two democratically elected governments established in 1969 and 1979 were overthrown by the military. The current succession of democratic elections was, eventually, established in 1993.

Today, Ghana is a relatively stable, multi-party democracy that elects its government through universal suffrage. The government is currently led by President Nana Akufo-Addo. With a free and independent press and robust civil society, Ghana performs well on the Freedom House index with a score of 80/100 in 2022. Some of its biggest political challenges today include discrimination against women and LGBT+ people (despite a strong record on civil liberties);

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weaknesses in judicial independence and the rule of law; as well as corruption that hinders government performance.  

Economy

Ghana is West Africa’s second-largest economy, with a gross domestic product of around $77 billion in 2021. The Ghanaian economy is relatively diverse and has experienced promising growth over the past few decades. Ghana is Africa's largest gold producer, and the second-largest cocoa producer (after Ivory Coast). It is also rich in diamonds, manganese or manganese ore, bauxite, and oil.

Earlier in Ghana’s history, the country experienced economic instability as a result of multiple military coups. During this time, the IMF implemented structural adjustment programs—financed by more than six billion dollars in loans from the World Bank and other institutions—that involved reducing government expenditures through cuts in social services, privatization of state-owned enterprises, and increasing its production and exportation of staple products such as cocoa and timber. These programs were harmful to the Ghanaian economy and people in many ways, leading to high rates of unemployment with an estimated 200,000 individuals in the public sector losing their jobs in the first decade of implementation. In general, SAPs in African states have been shown to erode domestic political capacity, fostering problems with government legitimacy. Specific to Ghana, SAPs have encouraged countries to resort to more repressive measures to ensure implementation. The reputation of IMF SAPs are infamous for

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101 Ibid.
setting developing countries back and exploiting reforms for the benefit of Western nations. This serves to China’s benefit in its aid-giving since the country itself has only recently experienced its own wave of rapid development and has a different, less patronizing approach to the Western norm of development. China, indeed, boasts this “mutual understanding” in engaging with Ghana’s economy.

CHINA–GHANA RELATIONS: A DYNAMIC FRIENDSHIP?

Relations between China and Ghana date back to 1960. The cordial friendship between Chairman Mao and President Mkrumah during their time in power ignited the growing interest of Chinese engagement in Ghana, through merchants, businessmen, as well as technical support. Importantly, in the 1960s, President Nkrumah lobbied for the PRC's reinstatement in the United Nations over the Republic of China, or Taiwan. This recognition of China’s “One China” policy is a significant cornerstone of many Sino–African relations.

Strong ties between the two countries have been solidified through many visits by high-level officials from both countries over the years. This included official visits to China by then President Nkrumah and reciprocal visits to Ghana by Premier Zhou Enlai in 1960. In 2002, Ghana’s President John Kufuor visited China, which was reciprocated by a visit in 2003 by President Hu Jintao to Ghana. The 2007 seven-nation tour of Africa by Premier Wen Jiabao also included Ghana.

In the 1990s, China built Ghana's National Theatre as a reward for Ghana's diplomatic support during the Tiananmen Square protests in 1989. Ghana’s support for China has been consistent, a sentiment reciprocated by Beijing.
Today, the Chinese Ambassador to Ghana describes this relationship between the countries as the “pilot of China-Africa friendship” and that “China's aid, financing, investment and contracting of projects in [in Ghana] are too many to count.”

Beijing has become a major bilateral trade and development partner for Ghana, with the latter specifically focusing on its development of roads, energy and telecommunications infrastructure and technical cooperation.

Current President Akufo-Addo asserts that Ghana casts its vote in support of the People's Republic of China regaining its rightful seat in the United Nations and has been upholding the one-China policy. This assertion reiterates Beijing’s “political conditionality,” mentioned in Chapter 1, wherein it expects its aid recipient countries and partners to adhere to the principle of only engaging with the PRC and not the Republic of China (Taiwan). Ghana’s dedication to China in this way can be traced back in history, giving the two countries a strong foundation for their continued relationship. Through statements as such, it is clear that Ghana’s leaders are optimistic about keeping China as a partner.

**Significant Aspects of The China–Ghana Relationship**

China is one of Ghana's top trading partners and foreign investment source. In 2019, China’s bilateral trade volume with Ghana is 7.46 billion USD, ranking among the top in Africa. China mainly imports cocoa, gold, and other resources from Ghana, while Ghana imports manufactured goods from China. As shown in the two figures below, the value of exports between China and Ghana have not only grown tremendously but continues to trend upwards. In 2021,

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103 “Will further enrich bilateral relations with reliable friend Ghana: Xi,” 2018, https://go-gale-com.ezproxy.wellesley.edu/ps/i.do?p=GIC&u=mlin_m_wellcol&v=2.1&it=r&id=GALE%7CA552616491&retrievalId=3c524e30-eb26-466a-bae4-929bafbe0b4c&inPS=true&linkSource=interlink&sid=bookmark-GIC.

China’s exports to Ghana reached over US$8.1 billion, a near 62% growth from 2019. Interestingly, the top five categories of export are all infrastructure-related with electrical, electronic equipment, vehicles other than railway, iron and steel, as well as plastics. For Ghana, the top three exports to China in 2019 are mineral fuels or oils, ores, and cocoa. Oil exports to China in 2019 stood at a value of $2.38B.

**Figure 3:** Value of China’s Exports to Ghana

![Value of China’s Exports to Ghana](chart1)

**Figure 4:** Value of Ghana’s Exports to China

![Value of Ghana’s Exports to China](chart2)

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In terms of infrastructure, China has built a number of notable projects in Ghana. The Bui Dam is one of the most significant ones. For this project, like many other Chinese-funded infrastructure projects, the majority of workers and funding come from China’s Exim Bank. Costing around US$622 million, the dam was labeled as essential for meeting the Ghanaian energy demand, which has only been increasing over the years. Indeed, since 2013, the dam has provided an estimated 400 MW of much needed electricity to Ghana and has even allowed for export to neighboring countries.  

Most important in the analysis of agency in the China–Ghana relationship is Ghana’s discovery of oil in 2007. For the West African country, oil production began in 2010. The Chinese extended a US$3 billion resource-backed loan to Ghana in the same year, which offered infrastructure finance in return for the use of Chinese contractors and a guaranteed supply of Ghanaian oil to China (reminiscent of the implied “cross-conditionality” mentioned in Chapter 1). The acceptance of the Chinese offer was not a unilateral decision. Here, it is important to note that Ghana’s democratically elected National Democratic Congress (NDC) government faced parliamentary opposition to the Chinese loan from the New Patriotic Party (NPP). Thanks to parliamentary democracy, the terms of CDB’s loan to Ghana were publicized and debated following criticism of China’s transparency. The CDB loan competed with the World Bank and

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108 “Cross-conditionality” is an implied condition whereby funding from China allows China or Chinese enterprises to have leverage over the recipient nation.


won with the promise of rapid loan dispersal to the Ghanaian government that was eager to capture the benefits of newly-found oil in that election cycle.\textsuperscript{111}

Ghana’s choice of China as an alternative to Western-led IMF and World Bank challenges the institutions’ position as preferred creditors. After a long process of inter-party debate, a “hybrid institutional arrangement was created whereby Ghana Gas would own and operate gas infrastructure that would be financed by the CDB loan and built by the Chinese oil company Sinopec.”\textsuperscript{112} The purpose of this arrangement was to reap the anticipated benefits of accessing Chinese finance quickly, establish Ghanaian state ownership over gas infrastructure, and exclude the national oil company from this role.

\textbf{Figure 5.} A Timeline of selected developments in Ghana’s bilateral and multilateral development partnerships since the discovery of oil, 2007-2015 \textsuperscript{113}

\begin{tabular}{|c|p{1.5\textwidth}|}
\hline
\textbf{Jun 2007} & The first commercial petroleum discovery in Ghana is confirmed by American firm Kosmos Energy and partners \\
\textbf{Sep 2010} & US$3bn oil-backed infrastructure loan from China Development Bank (CDB) to Ghana is announced in Beijing. Alternative financing options from the World Bank and the Ghana National Petroleum Company (GNPC) are subsequently shelved \\
\textbf{Oct 2010} & Kosmos Energy reject a joint bid from the Chinese Offshore Oil Corporation (CNOOC) and GNPC for a stake in the Jubilee field \\
 & National Gas Development Task Force convened to determine the institutional structure of the natural gas industry \\
\textbf{Dec 2010} & Oil and gas production begins at the Jubilee oil field \\
\textbf{Apr 2011} & National Gas Development Task Force reports, recommending the creation of the Ghana National Gas Company (Ghana Gas) and taking the mandate for gas infrastructure from GNPC \\
\textbf{Jul 2011} & Ghana Gas is incorporated as a midstream gas company \\
\textbf{Dec 2011} & The Master Facility Agreement (MFA) for the CDB loan is signed, over a year after \hline
\end{tabular}

\textsuperscript{113} Ibid.
the loan was announced; IMF raises Ghana’s debt ceiling

Feb 2012  US$850m subsidiary agreement to the MFA is approved by parliament to finance the
          gas commercialisation project, pre-financed and constructed by Chinese firm Sinopec

Jul 2013  Ghana announced as a participating country in US$7bn US Power Africa programme

Jul 2014  Ghana and China negotiate cancellation of the unused second tranche of the CDB loan

Aug 2014  Launch of the US$498m Second Compact between Ghana and the US Millennium
          Challenge Corporation (MCC), focused on power sector reform

Sep 2014  Minister of Finance announces that Ghana Gas will become a subsidiary of GNPC

May 2015  IMF announces US$918m extended credit facility for Ghana

Jul 2015  World Bank announces US$700m of guarantees for private investment in Ghana’s
          Sankofa oil and gas field, backstopping the upstream oil industry from the debts of the
          downstream electricity industry

Sep 2015  Gas processing plant is completed, 3 years behind schedule

This timeline of the first oil deal in Ghana shows that, unlike in Zimbabwe and Angola, the
existence of parliamentary democracy in Ghana and its subsequent competing ruling factions
allowed for term-negotiation with China. It is not to say that no kick-backs were taken or that
corruption did not play any role in this process, but Ghana was able to exercise some degree of
choice and agency in shaping the outcome of large oil deals. However, most agency was exercised
domestically among the Ghanaian elites themselves in their relations with domestic political
institutions and in leveraging foreign sources of finance.

ANALYSIS

The dynamics of the China–Ghana relationship can be characterized as a more stable,
balanced one, relative to that of Zimbabwe and even Angola. Ghana has notable leverage with its
position as an important market for Chinese goods and as a supplier of crucial natural resources
like oil and cacao. The West African nations' strong ties and good relations with big players such
as the United States and European Union allow it to balance its relationship with China and gain
leverage in negotiations. Ghana does not turn to China out of desperation and is, rather, able to pursue its own strategic interests to some extent.

The role of Ghana’s extractive industries have played an important role in highlighting the country’s agency. With the discovery of oil came an influx of foreign interest in investment and aid for oil from China, the US, the IMF and World Bank, and many others. This gave the domestic ruling elites choice in shaping the infrastructure of this key industry, including who gets to build or have stake in Ghana’s oil. As demonstrated before, parliamentary democracy played a crucial role in dictating certain terms of external financing.

Clearly, Ghana’s status as a democratic and politically stable country can be used to push for greater transparency and accountability in dealing with China. For this same reason, Ghana has stronger institutions for channeling aid and more incentive to use aid effectively. There are relevant institutions that help facilitate aid and investments from China to Ghana. Namely, the Ghana Ministry of Finance, Ghana Investment Promotion Centre, Ghana Export Promotion Authority, and Ghana Infrastructure Investment Fund all serve varying roles in ensuring the proper channeling of dealings with China’s exports, investments, aid, and infrastructure projects. Given that there are competing domestic ruling parties and specific institutions that serve facilitating purposes—instead of China dealing directly with one or a few ruling elites in government—there are more accountability measures and barriers in place for promoting positive development.

Nevertheless, China is a major global power with significant economic and political clout. Even with Ghana's leverage in its relationship with China, there are limitations to how much Ghana can safeguard and ensure its domestic priorities, especially with volatile oil- or resource-backed loans.
CASE COMPARISON

<table>
<thead>
<tr>
<th>Country</th>
<th>Regime Type</th>
<th>Government</th>
<th>Key Natural Resources</th>
<th>Alternative Partners</th>
<th>IMF SAPs</th>
<th>Nature of Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwe</td>
<td>Not Free</td>
<td>Authoritarian but is constitutionally a Presidential Republic</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>Zimbabwe relies on China diplomatically and financially but is not a key partner for China</td>
</tr>
<tr>
<td>Minerals &amp; Tobacco</td>
<td>Faced Western isolation and Sanctions</td>
<td>Extended Structural Adjustment Program (ESAP) in 1990</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angola</td>
<td>Not Free</td>
<td>One–Party Rule but is technically a multiparty democracy</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>“Marriage of Convenience”: China requires a lot of oil that Angola provides in return for infrastructure</td>
</tr>
<tr>
<td>Oil</td>
<td>Good relations with other partners</td>
<td>Chose Chinese funding instead</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>Free</td>
<td>Parliamentary Democracy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Cordial friendship based on mutual interests; Oil for China, financial assistance for Ghana</td>
</tr>
<tr>
<td>Oil &amp; Cacao</td>
<td>Strong relations with EU and US</td>
<td>Enhanced Structural Adjustment Facility (ESAF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Summary of Case Studies

The cases of Zimbabwe, Angola, and Ghana shed light on key mechanisms that may affect Chinese aid effectiveness in improving development outcomes or promoting growth. Supplementing the limitations of my regression analysis, the case studies provided a closer look into how regime type may interact with Chinese aid. In relation to H2, I further explore a few key mechanisms that emerged from my case studies as drivers of aid effectiveness.

My argument, outlined in H2, is that the impact of Chinese foreign aid on recipient-country development is conditional on political regime types. Further, Chinese aid to African democracies leads to better development outcomes, or is more effective, relative to aid to non-democracies (or a lower-scoring country on the Freedom Index). In H2(a), I subsequently provide reasoning for my hypothesis, arguing that China is able to be more extractive in more extreme authoritarian regimes.
because Western institutions and countries most often withhold aid from “less free” countries as part of sanctions and other considerations. China’s provision of a non-interfering alternative in the assistance space gives China more leverage with non-democratic countries in Africa to advance its own strategic interests. H2(b) complements this argument in asserting that African countries that are “less free” have a lower degree of agency in its engagement with China and are less incentivized to channel aid into positive outcomes.

My three case studies not only provide strong support for my arguments in H2 but add nuance by highlighting other mechanisms that mediate agency and affect aid effectiveness. These cases serve as illustrative examples of how African recipient-country engagement with China is powered by varying levels of agency, leverage, and incentive to channel aid into outcomes.

Through a comparison of Angola and Zimbabwe, we can see that, even within the same regime type, agency plays a role in mediating Chinese aid effectiveness. The difference between Angola and Zimbabwe’s engagement with China comes from two important factors: resources as well as existing government and institutions.

Often dependent on the availability of key natural resources, the alignment of donor-recipient strategic interest affects both the recipient country’s agency and China’s leverage. While China has strategic interest in Zimbabwe's resources (shown through trade and instances of exploiting mineral resources), it is clear that Zimbabwe is not a key player in China’s exports or imports. This causes an imbalance for Zimbabwe, who relies on China both for trade, aid, and for diplomatic support. For Angola, however, the existence of natural resources like oil help mediate its agency to some extent.

As part of my hypothesis, I describe how Western isolation and sanctions matter for China’s leverage over recipient countries. This is proven to be true in the case of Zimbabwe, who
views China as an “all-weather friend” or “life-line” amidst Western sanctions during its failed land reform programs in the 1990s. Whether we characterize China as a strategic ally and an exploiter of a “basket-case” country in Zimbabwe, it is clear that the African nation’s international isolation increases China’s leverage in engaging with the country and, in turn, reduces its agency.

The second factor of existing recipient governments and institutions also matters. As described in the introductory chapter, Chinese aid does not impose conditionalities in the Western sense. Instead, Beijing ties many implied conditions such as “cross-conditionality”— whereby funding from China allows China or Chinese enterprises to operate and sign contracts in the recipient nation. “Cross-conditionality” is highlighted through the case studies as an important way China is able to “exploit” recipient countries, especially with infrastructure projects and natural-resource-backed loans. The Zimbabwean government’s lax attitude towards the flooding of Chinese companies in the Zimbabwe economy has allowed various Chinese actors to take advantage of the recipient country’s resources. Not only so, many Chinese companies enjoy preferential tax exemptions when operating in Zimbabwe, at the expense of its own domestic industries. On the other hand, Angola has shown instances of restraint in barring Chinese companies from winning certain contracts. This difference in dealing with the “cross-conditionality” is, in part, a result of the interaction between levels of corruption, agency, and political will. Loosely defined, political will is "the extent of committed support among key decision makers for a particular policy solution to a particular problem."  

At this point, I question: if agency differs within the same regime type in mediating aid effectiveness, does regime type itself still matter? Simply put, the answer is yes. An examination of Ghana points how regime type itself is important in terms of allowing Ghana to be able to balance

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China off with other partners and of domestic institutions. As mentioned in my literature review, China’s non-interference principle theoretically allows recipient governments to have more discretion and direction in the ways aid can be spent, compared to Western aid. This means that recipient government strength and willingness to channel aid into positive outcomes matters more. With Ghana, this is indeed the case. For one, we saw that Ghana’s own parliamentary democracy played an instrumental role in negotiating with China following its discovery of oil. The existence of competing parties, free media, as well as transparency and accountability measures made China’s usually opaque deals more transparent. Given that decisions are not made by single actors or a handful of elite officials like in Zimbabwe, the processes in place to check and balance China’s deals are beneficial for yielding better results for Ghana. The nature of democratic elections also implicates a certain degree of political will and incentive to “do good” or improve the standard of living, even if it is for the pure purpose of reelection. Along this line, Ghana’s National Democratic Congress (NDC) wanted to push the oil deal with China through during that election cycle in 2010. While the exact outcomes of China’s aid to Ghana are not exactly quantifiable, China’s ability to ceaselessly extract and exploit are not as strong and Ghana’s desire to achieve better development outcomes is conversely stronger.

There are a few limitations and shortcomings to my comparative case studies that I must address. First, I acknowledge that, beyond correlations from my quantitative work, my case studies are unable to directly compare or parse resulting development outcomes from Chinese aid. Attempts to do so may require process-tracing for each country and aid-deal—an undertaking that would be monumental but fitting as an extension of this thesis. Second, there are many ways in which these three countries are not directly comparable as they all have significantly different histories, societies, policies, and economies. A more intentional attempt to control for these factors
may make my case studies even stronger. Lastly, the exclusion of a “Partly Free” country as a case study leaves out a part of the picture. With more time, I would explore how a transitioning state fits into the picture of Chinese aid effectiveness.

Even so, the case studies presented in this chapter have not only provided strong support for my hypotheses, but also shed light on additional mechanisms that interact with and power the agency and leverage that I initially describe.
CHAPTER 06
CONCLUSION

The central questions of this thesis aimed to explore the effectiveness of Chinese foreign aid in Africa, and whether or not that effectiveness differs by regime types. In the quantitative exploration, there was substantial support for the first hypothesis, that China’s foreign aid is able to generate positive growth in African countries. Measuring development through a holistic set of indicators—including GDP per capita, HIV prevalence, percent of children out of school, and access to the internet—showed some statistically significant results that Chinese foreign aid improved each of these outcomes. While the support for H2 was weaker, the strength of the comparative case studies supplemented it.

The outcomes from aid given by a rising power like China are dependent upon the relationship between the recipient-country political economy, availability of natural resources, as well as the behavior of African elites who broker and shape the relationship with China. The effectiveness of Chinese aid also hinges upon China’s own strategic interests in relation to the recipient nation, as an alignment of interest or a mutually-beneficial exchange of aid for oil, for example, generates a sort of “mediated agency” for certain African states.

Regime type also matters. Given the increasingly inseparable nature of the global economy and diplomatic ties, “less free” countries in Africa exhibit more vulnerability to Western sanctions or isolation, which significantly reduce the country’s leverage and agency in the world. This finding is in agreement with H2. Specific to balancing China, in “free” African countries, Ghana provides an example of how accountability and transparency in a democratic system may benefit the ways in which aid is channeled and the extent to which China can take advantage of them.
The topic of agency has increasingly been discussed in literature related to Africa and its foreign relations. African agency is, evidently, central to my study of China in Africa. However, I must acknowledge the danger of overemphasizing agency so as to not fall into “internalist” explanations for certain African countries’ “underdevelopment.” There is a need to temper this exploration of agency with the realities and structural conditions of global politics. For this reason, it is crucial to recognize China’s increasing power and clout in relation to its ability to extract and exploit. From “China-powered” to “oil-fueled” agency, my study of Chinese aid effectiveness in Africa highlights different types of ‘agency’ that warrant further examination and thought.

Furthermore, China’s rise as a global power has, arguably, accompanied its gradual transformation into a more responsible global power. Despite its non-interference policy, this transformation, or at least desire or pressure to transform, has significant implications for China’s engagement with its authoritarian friends like Zimbabwe. It will be interesting to see if China will begin using tactics of sanctions, isolation, or reduction in financial assistance as ways to pressure recipient countries into improving human rights practices or less “extreme” governance.

In light of heavy critiques, China’s financial assistance to Africa may only be marginally more or equally as problematic as the Western aid regime after all. This thesis provides support for Chinese foreign aid’s ability to result in positive developments but also complicates the picture by showing various mechanisms that can influence or hinder aid effectiveness. With this, the following questions still remain:

1. For countries like Zimbabwe, will Chinese aid never be as effective relative to others due to the country’s volatile government and lack of strategic resources? In other words, how can countries without key natural resources or a strong democratic government mediate its engagement with China to make aid more effective?
2. Do agency and recipient–donor relationships play the same role in mediating aid effectiveness in other regions that China heavily engages with, such as South East Asia or Latin America?

3. What are other unexplored mechanisms that might make Chinese aid more, or less, effective?

Given the hypotheses explored and analysis conducted in this project, this thesis serves as a foundation for further research on these questions.
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